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EDITORIAL

As We See It

Another "London Economic Conference" has come quite decisively to an end — albeit with much less fanfare than its prototype in London in 1933, and without the assistance of a drama-loving Franklin Roosevelt to administer the last rites. In the last analysis, too, the barrier to success this time was at bottom the same as that which brought the meeting 21 years ago to such an ignominious end.

Of course, the slogans are different now and the precise conditions to be met are not quite the same, at least in their more superficial aspects, but the recent meeting in Washington, which gave the British the opportunity to say directly and forthrightly what they have been intimating for a good while past in their own country about trade barriers and other related subjects, was really in effect a counterpart of the historic failure in London in the year 1933.

Exchange parities, the policies of "stabilization funds" and the basic principles which were to guide the authorities were the leading topics in London; in Washington "convertibility" and the conditions under which it could be achieved were the features. It might, however, be said in paraphrase of a well-known French proverb that the more the words changed the more the basic issues remained the same.

Of course, our failure (or should we say, refusal) to lighten the burden of our tariff laws gave the British a perfect opportunity to refuse gracefully to do anything about their own trade restrictions and their imperial preference system. They did not fail to take advantage of their opportunity— the British rarely do— but tucked away in the

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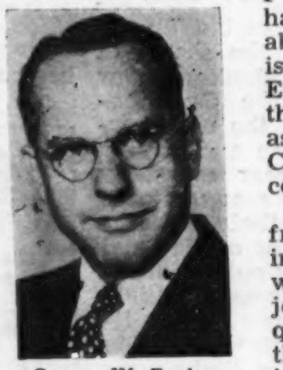
Immediate Economic Outlook And Basic Growth Forces

By GROVER W. ENSLEY*
Staff Director
Joint Committee on the Economic Report

Government economist, after discussing important characteristics of our dynamic American economy, which, in his view, tend to be forces for stability and growth in the long run, gives estimates of the economic prospects for the immediate future. Foresees dynamic changes in the labor market requirements and greater loads on unemployment insurance facilities to take care of temporary dislocations. Looks for a Federal deficit of $5 billion to provide a net additional stimulation to the economy.

In recent years labor market information has come to be viewed as, perhaps, the most important indicator, or barometer, of economic conditions. As a byproduct of operations, your offices are playing an important role in providing and interpreting this important information.



Grover W. Ensley

Providing employment opportunity has become one of the most important objectives of both public and private policy-makers and administrators. Statutes in at least 42 States and administrative machinery in the remainder are directed at helping people find productive jobs; many of these laws go back to the early 1930s.

The Employment Act of 1946 for the first time clearly declares the responsibility of the Federal Government for using all of its powers and resources to assist "those able, willing, and seeking to work." The Employment Act calls for the cooperation of State and local governments in this great purpose, as well as that of private industry, labor and agriculture.

As one associated with the Act's machinery, I am delighted to meet with representatives of State Employ-

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*An address by Mr. Ensley before the Interstate Conference of Employment Security Agencies, New Orleans, La., Oct. 11, 1954.

Government by Principle

By HON. W. RANDOLPH BURGESS*
Under Secretary of the Treasury for Monetary Affairs

Former prominent New York banker, now Treasury's monetary expert, describes Administration's financial policy with respect to the budget, tax program, monetary policy, and debt management. Explains the principles underlying Administration's economic policies and emphasizes the reversal of the trend towards more centralized Federal Government. Stresses the aim to re-establish world-wide sound and honest money, and sees gradual trend toward currency convertibility. Indicates conversion of short-term to long-term government bonds will be gradual.

It is always a pleasure to get back here among old friends and report to you, as I see it, what is going on in Washington. After all, every politician must have a constituency, and I think you come as near to being mine as any group. The first thing I want to say to you is that I am having a very interesting and valuable experience in Washington. It is a great pleasure to play on the Eisenhower team. I don't believe there has been a finer team of men assembled in the Cabinet and sub-Cabinet in the history of our country.

W. R. Burgess

That group includes a great many from downtown New York, and it includes some of your members who, I can report, are doing a fine job. Percy Brundage I see very frequently—he was very prominent in the affairs of this Chamber, and he is doing an invaluable piece of work, and there are others; I did not attempt to get up a list. As a matter of fact, we are always a little embarrassed about downtown New York because every time there is a vacancy and you need somebody of

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* Transcript of a talk by Dr. Burgess at the New York State Chamber of Commerce, New York City, Oct 7, 1954.

NSTA CONVENTION ISSUE OUT TODAY—Section Two of today's "Chronicle" constitutes a 96-page Special Supplement devoted to the Annual Convention of the NATIONAL SECURITY TRADERS ASSOCIATION at ATLANTIC CITY, N. J.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

National City Bank of New York—Albert H. Deuble, President, Yorkville Exchange Co., Inc., New York City. (Page 2)

American Viscose Corp.—August Huber, of Spencer Trask & Co., New York City (Page 2)

ALBERT H. DEUBLE
President, Yorkville Exchange Co., Inc.
Members of N. A. S. D.
New York City

The National City Bank of New York

Many people do not consider the shares of our large banking institutions as growth situations. Far be it from us to argue about this very elastic word. We rather limit ourselves to the simple contention that our big banks show a very healthy and steady development. Besides, these shares have not discounted the possibilities or hopes—and in some cases perhaps the wishful thinking—concerning an uncertain future but are selling at very reasonable levels under any conditions.


Albert H. Deuble

There are a number of very interesting bank stocks but due to the new financing the shares of the National City Bank of New York (selling in the Over-the-Counter market in the neighborhood of $55 a share and paying $2.40 a year) appear especially attractive. While many stocks have now exceeded their 1929 record highs, the shares of National City are still selling only at about 10% of their old prosperity high.

National City Bank prides itself on being "first in world-wide banking" having been first among national banks to establish foreign branches, commencing in 1914. Today it has 57 overseas branches in 19 foreign countries, which, together with its correspondents around the world, enable it to provide the most complete international banking service of any American bank. This aspect of the bank's business seems to be more important than ever before, especially in view of our constructive international policies. There are indications that more and more of the restrictions which have hindered world trade are being suspended. Currencies may soon be more easily transferable. Typical are the developments in Germany, where even the blocked mark is practically eliminated. A freer flow of goods and currencies would help American business and especially the "Company I Like Best."

The National City Bank of New York, formed in 1812, has paid dividends on its capital stock in every year since 1813. In the past years the payments have been increased five times (from $1 a share in 1944 to $2.40 at present). The bank has an outstanding earnings record. Net operating earnings have increased in every year since 1938 and for the 12 months ended June 30, 1954 were equal to $4.33 a share. Book value per share has increased about 100% since 1940. The Bank's capital position is even stronger by reason of the fact that after the new financing there is expected to remain more than $50 million of unallocated reserves of which $37,000,000 will be in bad debt reserve.

National City is by no means "high hat." It has been the leader in establishing a system of branches in New York City equipped to take care of the banking needs of every customer, small or large. Very correctly the present underwriter states furthermore: "The Bank has attained its present pre-eminent position as the largest in New York as a result of its aggressiveness and leadership in the development of new types of banking. . . . Since 1940, combined deposits of the Bank and Trust Company have increased over 85% and now amount to 23% of the total deposits of the nine largest New York banks as compared to 19.3% in 1940."

For the far-seeing investor the shares of the National City Bank of New York should prove to be a very satisfactory holding offering good prospects for price enhancements. And if it is true that "every dog has its day" then we may even expect one of these days a new bull market in bank shares. After all, Corn Exchange rising from 60 at the beginning of the year to above 90 has given already its cue.

AUGUST HUBER
Spencer Trask & Co. New York City
Members, New York Stock Exchange

American Viscose

With the general market strongly in new high ground, after an extended advance, it may be prudent to look at those basically strong companies whose market prices are relatively depressed. Particularly, if a moderate nearer term betterment is indicated and the longer range potentialities are encouraging. American Viscose would appear to fit well into this category. The largest rayon producer and an important manufacturer of cellophane, the shares have had a substantial decline from the high of 78 reached in 1951. From that peak the stock trended steadily downward to a low of 30⅝ reached earlier this year. Earnings likewise set the same pattern as readjustment in the rayon industry became necessary due to overexpansion and less active demand for textile fibers. Peak earnings of $7.83 per share were registered in 1950; followed annually by $5.37; $4.88; $2.74 and slightly under $2.00 per share will probably be shown for 1954.


August Huber

Dividends of $2.50 per share were paid in the three years 1950-52 followed by a reduction to $2.00 in 1953.

With earnings during the first two quarters of 1954 running under the 50 cents per share quarterly dividend rate (71 cents earned in first half) the shares were under pressure marketwise from the possibility of a dividend reduction. However, regular 50 cents quarterly payments were declared during each of the first three quarterly periods. With earnings now moderately turning upward — I would estimate $1.25 per share for the final six months vs. 71 cents in the first half year —maintenance of the regular $2.00 annual rate appears virtually assured.

This prospect is bolstered by three considerations: (1) sales and profits for 1955 should continue the moderate upward trend shown during the later half of this year; (2) capital expenditures for plant and equipment since 1946 totaled $174,000,000 — all financed from earnings — and with expansion virtually completed subsequent outlays will diminish; and (3) finances are strong with cash items of $31 million alone 1.4 times total current liabilities of $22.7 million (the company has no funded debt).

The shares have been in a steady decline—from 78 in 1951 to 30 earlier this year—while the general market had advanced appreciably. The company, and the rayon industry, have been in a relatively severe readjustment phase. From present indications, the trend is slowly reversing and prospects for 1955 suggest further moderate recovery in sales, profit margins and net earnings. I would expect profits of around $2.50 to $2.75 per share for 1955 (vs. about $1.95 in 1954).

Greater assurance of maintenance of the $2.00 annual dividend rate, which is now materializing, could later be reflected in an improved market performance of the shares. Selling around 35½ on the New York Stock Exchange to yield 5.6% and well depressed marketwise, as judged by historical standards, the shares would appear to harbor longer range appreciation potentialities as the basic growth trend of synthetic fibers again ultimately asserts itself.

Honorary Lifeguards



Harold B. Smith John M. Hudson

Harold B. Smith, Pershing & Co., New York City, and John M. Hudson, Thayer, Baker & Co., Philadelphia, were appointed Honorary Lifeguards of Atlantic City, at the NSTA Convention.

W. L. Copping With Albert Frank Agency

Wilfred L. Copping has been appointed director of the copy department of Albert Frank-Guenther Law Inc., 131 Cedar Street, New York City, it was announced by Howard W. Calkins, Chairman of the Board. Mr. Copping has been associated with the agency for approximately five years and prior thereto was with the Robert B. Grady Co. Agency in New York City and the Barlow Advertising Agency, Inc., in Syracuse, N. Y.

Now Proprietorship

Howell O. Archard is now doing business as an individual dealer from offices at 25 Broad Street, New York City. He was formerly a partner of Howell O. Archard & Co.

Life Insurance Investment Under Full Employment

By SHERWIN C. BADGER*

Financial Vice-President,
New England Mutual Life Insurance Co.

In discussing the objectives of the so-called Full Employment Act of 1946, Mr. Badger holds that under its terms we can look forward to periods of artificially-induced easy money and monetary expansion, whenever employment starts to turn down, followed by still more monetary expansion during business recovery. Credit restriction, he holds, will come only on rare occasions when boom and inflation have become clearly obvious. Sees in this a need for switch from fixed interest to equity securities in insurance investments. Advocates further liberalization and modernization of insurance investment statutes.

Your chairman has, as usual, assigned topics for us unfortunate speakers. I am supposed to talk about "Recent Money Market Developments and the Outlook," a subject that is always important to Life Insurance investment officers. I must confess, however, that I find it difficult to discover anything very stimulating to say about the interest rates at present. I suspect most of you would agree that interest rates are unlikely to change substantially in the near future. From official actions, as well as from official and semi-official statements of policies, we seem to be in a rather narrow band of fluctuations. On the up side, interest rates are being held in check by what the Federal Reserve describes as "active ease," while on the down side, we are told there is no intention of allowing a sloppy money market to develop such as that of the middle 1940's.

Sherwin C. Badger

Even if it were possible for someone to demonstrate conclusively that interest rates are likely to go up or down, I wonder if it would be of any great significance to the life insurance business from the long range point of view. May it not be possible that our preoccupation with the future trend of interest rates has become outmoded—that we may be examining trees and neglecting the forest?

Just as a matter for mental speculation, may I suggest the possibility that developments in the money market have taken on a new and much broader significance to the life insurance industry in recent years. The conditions under which we are operating may have changed more than we realize and we may be facing competition from quite different sources and in different forms than in the past. If this be so, have we adapted ourselves to the changed situation; and are we sure that we have on our shelves the wares the American public needs and wants?

The Concept of Full Employment

The concept of full employment as a desirable aspiration for society goes back many generations and probably many centuries. It is a natural and worthy objective. Until comparatively recent times, however, its achievement has been discussed more in terms of future hope from the standpoint of ethics and economic theory than in terms of continuing present accomplishment. Eight years ago, however, something of a revolution took place when the Congress passed, and the President signed, the Employment Act of 1946. This Act charges government with responsibility for "promoting national employment, production and purchasing power." It is the law of the land. It assumes not only that government can bring about full employment but that full employment is one of the permanent duties of the government.

This assumption having once been made and translated into law, the government and all its branches have no choice but to use the tools at their command to carry out the employment mandate. Whenever there is less than full employment, the party in power, be it Democrat or Republican, is immediately put on the defensive. Since its political life is at stake, it must take positive and aggressive action to influence employment upward. Even a non-partisan body like the Federal Reserve must consider the political aspects lest Congress rebuke it by interfering with its freedom and powers by unwisely amending the Federal Reserve Act. It is only natural, therefore, that when there is actual or threatened unemployment, government will be likely to use its economic powers to the full, despite possible harmful effects in other areas than employment, rather than run the risk of being accused of doing too little too late.

Monetary Management and the Business Level

One of the most important tools in influencing the level of business, and consequently the level of employment is monetary management. Almost equally important is fiscal management; namely, the handling of governmental ex-

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*An address by Mr. Badger before the Financial Section of the American Life Convention, Chicago, Ill., Oct. 8, 1954.

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More Articles in Section Two

SECTION TWO of today's "Chronicle," devoted to the recent Annual Convention of the National Security Traders Association at Atlantic City, N. J., includes the following articles:

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Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Watch the Canadians Go Buy—Fords!

By IRA U. COBLEIGH
Enterprise Economist

An Autumn view of motoring in Canada with special emphasis on the position and future of Ford Motor Co. of Canada.

The recent rumors of possible public offering of Ford Motor Co. shares in the United States, and the current peppy upswing of Ford of France on the American Stock Exchange (sparked by the plan for merger with Simca) present a quite topical background for consideration of the most prosperous and promising Ford equity, up to now available to the general investing public, Ford Motor Company of Canada, Ltd.

Ira U. Cobleigh

Before we offer a thumbnail sketch of this thriving Dominion element, in the Ford empire, we ought to play a little background music on the general theme of the Canadian motor industry.

The "Chronicle" lead article of Sept. 30 referred to Canada as possessing a splendid climate for investment. Well that surely goes for the motor industry, and on several counts. First, motor car ownership in Canada is not nearly so widespread as in the U. S. Here we have one car for every 3.6 persons while in Canada there's only one for every six. Second, there's the matter of motor credit. Here 62% of the pleasure cars are bought on time payments. In Canada, only 40%. Particularly in French speaking Quebec, outright purchase has been far more popular. More extensive credit buying north of the border is catching on fast, however, and Dominion-wide motor sales involving say one-third down and 24 months "on the nut" at the American percentage, would certainly rev up total car sales.

Thirdly, there's far less traffic congestion and lots more "wide open space" for motoring in Canada. The Alcan Highway, practically deserted when compared to U. S. Highway No. 1, is already famous, and extensive road building in the Alberta-Saskatchewan oil country, Uranium areas of Beaver Lodge and Blind River, the new ore country in Labrador, etc., all open up new vistas of motoring and motor sales—to say nothing about the Canadian population growth, and the heavy foreign investment blowtorching its economy. Any way you look at it, Canada is a fine place for expanding the manufacture and sale of motor vehicles.

With this brief nod to long range economics and geography, we are now ready to take up our brisk review of the company second in size (General Motors ranks first) in the Maple Leaf motor industry—Ford Motor Company of Canada, Ltd. It's no newcomer there. Fact is, the vision of Henry Ford gets another Oscar, as the corporate unit he designated to go and grow with Canada was incorporated in August, 1904. It didn't have the same growth rate as its American Pappy at the start, but in the past eight years its percentage gains have probably exceeded the parent company's rate.

Ford Motor Company of Canada, Ltd. was created to both manufacture and sell Ford, Monarch, Mercury and Meteor cars and trucks in Canada, and, for 50 years, has been moving forward to a point where it currently sells 40% of Canadian pleasure cars, and somewhere around 30% of its trucks.

In 1954, while passenger car sales in Canada have flagged somewhat (perhaps 11% below 1953) for the first seven months, Ford of Canada was actually ahead in passenger car sales (not trucks) of last year. This is due quite importantly to a program of expansion and improvement involving about $66 million in the five-year period 1950-54; and, quite amazingly, all this capital addition has been made by use of internal financing (retained earnings and depreciation). Whereas in so many other companies, expansion has been financed by debt creation, Ford carried the whole program through without bonds, loans, or preferred stock issuance—and actually increased its dividends in the meantime. That, you must agree, is a quite impressive performance.

Of the enlargements referred to, the most significant were the new assembly plant at Oaksville, Ontario, the new engine plant at Windsor, Ontario; and a new depot at Winnipeg. The streamlining of assembly at one unit, and motor production at another, is calculated to create impressive cost reductions and perhaps even permit the productivity of labor to increase at a faster pace than labor rates—a major target in most industrial enterprises.

Ford of Canada is a comprehensive organization with its own output of cars and trucks sold in Canada, plus sale of Lincolns, buses, and Ford tractors. Its defense production has been mainly in "jeeps." Not only does the company operate with sales branches, and parts depots, throughout Canada, but its foreign subsidiaries maintain branch units in such remote places as Brisbane, Adelaide, and Sydney, Australia; Bombay, India, an improbably named place, Lower Hutt, New Zealand, Port Elizabeth, South Africa and Singapore.

Export sales used to loom large —in 1940 amounting to around 40% of sales. For 1953 this rate slipped to but 7% (of $309 million total sales in Canadian dollars). Even at that, overseas business is important to the company, and dividends from beyond the Dominion delivered almost $9.5 million net to the company treasury in 1953.

Shipments of motor vehicles in Canada in 1953 totaled 479,649 of which Ford of Canada accounted for 134,884 (with 18,300 exported). Australia has been a leading export market but South America and Mexico (entered in 1952) are growing customers.

Investors viewing the balance sheet of Ford of Canada perceive elements of high solvency and evidence of excellent judgment in financial operation. Despite all the dough laid out to increase efficiency and to permit the company to expand sales, the 1953 year-end balance sheet showed net working capital at $38 million, only $11 million less than the preceding year, even after $29 million of capital expenditures in that calendar year. Overseas investment is carried at cost of about $11.6 million; yet the actual equity here is in the order of $40 million.

About common stock, in common with so many Canadian corporations, there are "A" and "B" shares. These have identical treatment in respect to share in assets and dividends, the only distinction being that the 70,000 "B" shares carry the vote, and are controlled by Ford Motor Company, U. S. A. The "A" shares (also no par) are outstanding to the tune of 1,588,960 and are traded in Toronto, Montreal and on American Stock Exchange where the current quotation is 98.

The dividend record here is reassuring. Since 1933 some cash dividend has been paid in each year, the dividend average, 1949-53, being $2.70. This is around 30% of net which gives you a good idea of where all the expansion money has come from. 1953 net was $12.07 per share and permitted a $4.25 dividend which should surely be sustained and possibly increased this year; and a stock dividend or split of some sort does not appear unthinkable.

The whole economic position of Canada, and its slight but growing population in relation to such a vast land area, suggests a rather solid future for leading Canadian industries, surely including Ford of Canada. On the basis of history, growth, current earnings and management, this company has done well watching the Canadians go buy—Fords!

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Fred H. Kurz has become affiliated with Reynolds & Co., 425 Montgomery Street. He was previously with Dean Witter & Co.

Motion Picture and Television Program Financing

By MILTON A. GORDON*
President, Television Programs of America, Inc., N. Y. City

After calling attention to financing of the entertainment business by bankers during the last three decades, prominent motion picture finance expert stresses the change of the television, and motion pictures industry from a gamble to a good investment. Bases this claim on high state of distribution efficiency of the top television and motion picture companies, and expresses confidence that in the area of filmed programs there is a reliable area of potential financial activity. Describes process of current motion picture financing.

I am sure that entertainment, as such, precedes business by many eons. It certainly must precede the dawn of written history because it seems to me that the early cave man, long before man could write, engaged in the then popular pastime of beating his mate and dragging her by the hair back to his cave.

Milton A. Gordon

Since this was before the time of written records, there is nothing to indicate whether there were paid admissions to this popular type of entertainment. But certainly in every early civilization, of which there are written records, there were organized forms of entertainment. The theatre in the early Chinese, Babylonian and Egyptian civilizations was an important part of the community. By the time of the Greeks, the drama was certainly juicier than anything we have seen on Broadway. Insofar as the Romans are concerned, how can you compare even an NBC spectacular with the Circus Maximus?

Now business, in one form or another, also goes back a long way into history; and along side of business is a record of banking. You gentlemen of the banking fraternity know the history of banking better than I do. The early traders, the Phoenicians, and others were well advanced in many phases of modern banking.

Business became "big business" about the middle of the last century with the advent of the Industrial Revolution; and banking not only met, but anticipated both literally and figuratively, every need of the expanding business world. Yet while bankers have met the needs of business for many hundreds of years, it is little more than three decades that bankers have regarded the entertainment world as a good credit risk.

It is true, of course, that "angels" have long been available to finance entertainment ventures. Shakespeare had his patrons at Stratford-on-Avon the same as current Broadway producers. But show business (to use the vernacular) did not command the respect and attention of organized banking until the early nineteen twenties.

Why was that? It relates to the lack, in the entertainment world, of what I have called (for want of a better name) an "area of predictability." I am going to use this phrase often during the course of this discussion because it goes to the very heart of the problems involved. As I have said, business became "big business" with the advent of the Industrial Revolution. Entertainment became "big business" and and a subject for banking activity in the early nineteen twenties with the great expansion of the motion picture. The motion picture gave to the entertainment world what it did not have before, an "area of predictability." Prior to that time, and even now, a play can open on Broadway, get "panned" by the critics, and close by the end of the week, losing to its backers their entire investment. But with the opening of thousands of motion picture theatres, the motion picture became a predictable business venture.

Motion Picture Business Become "Predictable"

During the hey-day of motion picture activity, from 1925 to 1945, there have been 15,000 to 20,000 motion picture theatres in the country. Some of these theatres swallow film, on a double feature basis, daily. Others need product two or three times a week. Consequently, even if a picture is a very poor picture, and would close immediately on Broadway, were it a play, that picture will still play a certain number of theatres and be assured of a certain amount of income. The variance between a shoddy "B" picture of small cost, and a "Gone With The Wind" might be between a $100,000 gross and a $30,000,000 gross; but even the former must get some revenue.

During the last war when the financing of motion pictures was at its height, it was said that any so called "A" picture—meaning a picture which would get "A" booking in first run theatres, would play a certain number of engagements; and gross a million dollars. This gave the bankers what they regarded as a safe "area of predictability." By rule of thumb, they could quickly calculate that if there was a distribution fee of 25%, and a print and advertising cost of $150,000, that $600,000 would remain as the producer's share. According to the conservativeness of the

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*An address by Mr. Gordon at the 10th Annual Convention of the Commercial Finance Industry, New York City, Oct. 11, 1954.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The current pick-up in factory production continued in the period ended on Wednesday of the past week, but industrial output held at the level of the previous week and was about 7% lower than the similar period in 1953.

The unemployment situation improved as reflected in reports on unemployment insurance claims. In the week ended Sept. 18, continued claims were lower than in any week since January and 2% lower than in the preceding week. Initial claims in the week ended Sept. 25 declined 5% from the previous week. The Office of Defense Mobilization announced that companies which locate new industrial facilities in areas having substantial or chronic unemployment will receive tax amortization bonuses sometimes as large as 25%. There are now 145 surplus labor areas eligible for special tax assistance.

The employment situation held stable for the third consecutive month with employment in September 132,000 below August; unemployment was down 146,000. Declines in both totals reflected a shrinkage in the labor force as teen-agers returned to school, said Commerce Secretary Weeks and Labor Secretary Mitchell. Farm jobs increased by a more-than-seasonal 600,000 last month, while non-farm employment fell 732,000. Factory jobs rose 147,000 despite a slump of 50,000 in auto industry payrolls.

An increased number of rush orders were reported by steel manufacturers last week, indicating that users' stocks are lower than in recent months.

Manufactured and trade inventories during August, the United States Department of Commerce reports, were reduced by $259,000,000 to $77,200,000,000. This reduction left stocks on Aug. 31 some $3,500,000,000 lower than a year earlier.

What's more important, according to Administration economists, is that the August cuts in stocks brought total inventories, in relation to sales, below a year earlier for the first time this year.

Having spurted 17% in less than two months, steel production is recovering much faster than most people realize, states "The Iron Age," national metalworking weekly this week. When viewed from week to week, production gains seem modest. But week-to-week comparisons do not show the production trend as clearly as comparison extending over a longer period.

Here are the figures: Week of Aug. 15 the industry operated at 61.8% of rated capacity; this week (week of Oct. 11) operations are scheduled at 72.3% of capacity, a gain of 17.3%. The rate this week is up 1.3 points from the previous week, and the ingot production index is estimated at 107.3 (1947-49=100).

Now that the market has gained momentum, still further gains are confidently predicted. Within the next few weeks the industry should be operating at better than 75% of capacity. This seems more significant when it is pointed out that about one-fifth of steelmaking capacity represents emergency defense facilities. So-called normal civilian demand is a lot stronger than it appears at first glance, continues this trade authority.

This week the already-recovering market is getting an additional shot in the arm—the long-awaited automotive steel orders for new models are showing up in substantial volume.

The Detroit sales office of a major mill reports that September was its best month so far this year on new orders, and October is starting out as if it will be substantially better.

Although the trend is up on virtually all steel products (except those due for a seasonal downturn), demand has risen most spectacularly on cold-rolled sheets, about half of which are consumed by the auto industry. In the Midwest consumers now have to wait an average of about seven weeks for delivery, compared to about four weeks only a short time ago.

Domestic car and truck production last week dipped to within 7% of the year's low—69,944 vehicles (Sept. 20-25)—and 50% under the 1954 high of 148,645 units (May 17-22), "Ward's Automotive Reports" stated on Friday last.

The agency estimated the week's output at 74,558 cars and trucks, some 8% under the previous week's turnout of 81,027 vehicles.

Chevrolet and Pontiac bounded back into assembly the past week at about 28% and 49% of their respective pre-changeover rates, while Ford Division's swing into new model factory change-over more than offset General Motors' 34% gain in car construction. Cadillac change-over began on Friday, last.

Meanwhile, Chrysler Corp.'s car volume was well below expectations, with every indication that normal output is still several weeks away due to new model problems. In addition, Kaiser, Willys and Packard car manufacture are shut down, with Lincoln, Mercury, Oldsmobile and Buick also expected to join them by month end.

However, early this week the industry will reach another milestone—the five millionth car or truck of the year. Oddly enough, the same work period a year ago featured production of the sixth millionth vehicle of 1953.

The million unit deficit from a year ago, states "Ward's", finds car assembly down 16.2% and truck erecting behind by 18.3%, with combined vehicle production trailing by 16.5%. Cumulative counts to date are an estimated 4,198,835 cars and 795,598 trucks, compared to 5,004,283 and 973,834 at the same stage of 1953.

Canadian manufacturers also are in changeover doldrums, with last week's 2,899 vehicles showing only a minor drop from a week ago (3,083 units).

Thus far in 1954, Canadian manufacturers have built approximately 240,628 cars and 58,279 trucks, against 301,414 and 101,323 in the corresponding 1953 term. The tabulations reflect a 20%

Continued on page 33

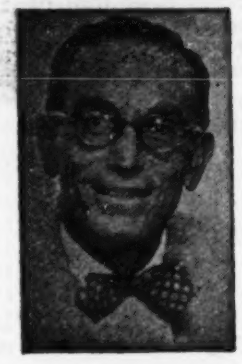
Our Gargantuan Federal Government Service

By A. WILFRED MAY

Diverse problems entailed in enormous and rapid growth of government establishment weighed by American Assembly. Need emphasized for segregation of politics and patronage from career service. Veterans' handling weighed. Need envisaged for bringing government's service establishment into Executive branch directly under the President. U. S.-U. K. contrasts.

ARDEN HOUSE, HARRIMAN, N. Y.—The Federal Government service now is Big Business!

This is a basic fact highlighted to the 70-odd government and industrial leaders immersed in the American Assembly's four-day discussion of the subject here.



A. Wilfred May

From the mere handful on the government payroll when the Civil Service Act was passed in 1883, the establishment grew to 800,000 by 1938. Now it has further trebled and there are no less than 2,300,000 Federal employees. Eighty-three per cent of the personnel is in the continental United States; excluding the Washington area, which—contrary to popular impression—accounts for less than 10% of the total. Forty-nine per cent is in the Defense Department, 22% in the Post Office, 8% in the Veterans Administration, and the remaining 21% widely scattered.

Comprising 1.4% of the country's population, the government establishment's annual payroll at an estimated $10 billion, occupies one-sixth of the Federal budget.

"Sitting at my desk with a draft of a new rule or regulation or interpetation," said Civil Service Commission Chairman Young here, "I wonder whether it is just as applicable to the civilian employee at the Weather Station on the Greenland ice-cap as it is to the civilian employee at the Edwards Air Force Base on the desert sands of California, to a clerk in the Civil Service Commission in Washington, and to all the other hundreds of thousands of employees scattered through this country and around the world. . . ."

But efficiency and effectiveness have by no means kept up with "volume." Most importantly, there is no clear distinction between the career service as such, and the large area of political appointments. This calls for solution of the permanent problem of the spoils system. As has been frankly conceded here by Commission and government officials, it cannot be contended that a political party in power should have no control over the governmental machinery. But this does not validate the chronic abuses of our patronage or spawning spoils system.

This problem the Assembly session here has met by recommending that the President be allowed full freedom in appointing, outside of Civil Service, an adequate number of department heads to give him firm control of *policy;* but that "the filling for political patronage of nonpolicy jobs from outside the Civil Service be firmly resisted." But this is a solution which *politically* may be non-realistic.

The Veteran's Problem

Another problem whose solution is difficult from a political angle arises from the large and growing body of veterans. While, as the group up here freely concedes, preference in the employment of veterans justifiably is the established national policy, veterans' preference should not apply in the higher ranks; favoring of nondisabled veterans should be limited to a fixed period following military service; preference of nondisabled veterans should be usuable only once; and the definition of disability should be based on an occupational handicap. But this, too, may be "unrealistic" politically.

As the proceedings developed here, another problem in the hot-potato realm exists in labor relations—as in the question of Civil Service unionism. There does not seem to be either a decisive assurance or a denial of the right of collective bargaining. But then the question remains: what machinery exactly shall be established for the peaceful solution of grievances? And here again the political factor may be controlling — see Secretary Wilson's latest ducking in labor's pool of political hot water.

The Overseas Sector

Our representatives in foreign countries elicited considerable attention here. Although your reporter on the basis of his travels deems the quality and performance of our personnel operating overseas considerably above its general reputation, the development of an ever more effective career system in this area is undoubtedly important. On this scope the parley formally found that "the assurance that his government shall be represented abroad by individuals of ability requires the extension of existing career systems to employees serving abroad and the provision of conditions of employment adapted to their service in foreign countries."

The British Pattern

Whatever the observer's mission to the British Isles, he is practically certain at some time to draw some comparative conclusions about their and our government employee establishments and systems. Irrespective of other inferences, unanimous is the conclusion that one of our chief political goals must be to raise the *prestige* of our Federal service.

Britain's far greater coordination, permanence and centralization in this area appears to stem from the difference in her political system, insofar as her Cabinet Ministers work together more closely and have much longer-term affiliation (almost in a Civil Service spirit) than here.

Certainly Britain's closer affiliation and coordination highlights the need for centralization here—as in the Executive Department, preferably in the Executive Office of the President here.

Why the Proxy Turmoil?

By ALLEN WILL HARRIS
Public Relations Consultant, New York City

Holding today's "little stockholder" is no longer an unintelligent and indifferent person, but one who understands business problems and knows his own rights, Mr. Harris cites increase in proxy contests as indicating modern stockholder is less stable and more belligerent than heretofore. Stresses value of the proxy statement in stockholder relations.

The modern stockholder is far from being an ignorant or childishly selfish person. The writer has seen it demonstrated in almost a dozen proxy fights that today's stockholder, today's "little" stockholder, understands lead time, accelerated amortization, long-range research and governmental cutbacks quite as well as corporate officers, although less articulately. When an officer's pension was described as "for life or wife" in a proxy fight several years ago, the stockholders recognized that the pension plan was exceptional, even extraordinary, and they forced its abandonment even before the contest was completed.

Allen Will Harris

On the other hand, one company which practices full disclosure, the bad as well as the good, last year told its stockholders that it was abandoning a too-distant factory and dropping five basic products at a loss running into seven figures. The stockholders read the annual report, doubled their attendance at the annual meeting, and gave the board and officers round after round of applause for "admitting you were wrong before it cost us our shirts," as one shirt-sleeved stockholder put it.

It is important to realize that today's stockholder understands business problems and knows his own rights, because too many corporations still conduct their stockholder relations on the premise that stockholders are either mere hecklers or persons inert to anything except dividends. In a year that has been marked by more and larger proxy fights than ever before, the need for corporations to understand the modern stockholder and to meet his needs more fully is painfully obvious.

A reasonable and useful question to ask is why should there be so much proxy turmoil especially in a period of general corporate prosperity and rapid development of knowledge and techniques in stockholder relations? Is it simply that the modern stockholder is less stable or more belligerent? Can it be that the average corporation is less prepared now to defend itself against "outsiders"?

The detailed answer will, of course, vary from one proxy contest to another, but all of them seem to have a common "source of possibility"—a factor which, if removed from the equation, would very likely have halted action by "outsiders." Paradoxically, this factor seems to be the very techniques of stockholder relations work that was developed to improve the relationship between owners and managers. These techniques have been adopted more rapidly and more completely by those seeking to become management than by those who already are management. The tool of defense has become the tool of offense.

These tools are not remarkable in any sense. They are not too radical or too gaudy for use by the most conservative management. But they do, in general, require more skill and more work time than the tools of yesteryear. Perhaps this is the main reason why many able managements appear to consider and then reject the use of the modern methods developed for stockholder relations.

The Old Fashioned Tools in Stockholder Relations

What are the old-fashioned tools? The new tools can be studied satisfactorily only in comparison to the old. The writer made an analysis last year of the tools used by five corporations in which he holds stock. Four of these corporations are in the United States and one is in Canada. Three are on the Big Board and two are listed by the American Exchange.

All five of the companies of course used the tool of the annual report. The average length of the five reports was eight pages. The average number of illustrations was three. The average length of the organized text, either a "letter" from the Chairman of the Board or the President, was 723 words.

The same five companies yielded a total of four half-year statements and six dividend announcements. One provided a brief post-meeting report. One issued a special invitation to its annual meeting. None of these companies, incidentally, sent a letter of welcome or a copy of its latest annual report when the stock was purchased.

The number of contacts-by-mail between the owners and the managements of these companies averaged three per year. For various reasons, including location and time of their annual meetings, the five companies enjoyed a total attendance of 413 persons —about 82 personal contacts per company. It took considerable diligence even to secure these figures from their secretaries.

In the late spring of this year, a proxy contest was initiated against one of these companies. The opposition provided a detailed and meaningful analysis of the company's operations, both the successes and the failures, and offered a 16-page program for the future. The opposition provided the details of the background of the corporation's directors and officers and contrasted their proposed slate's experience. The opposition held regional meetings with shareholders, even appointed local representatives in many major cities.

Slowly, ever so slowly, the company's management became communicative. Management sent 12 letters or booklets in five weeks. Management's story was presented not too little, but too late. Again the "outsiders" won, this time by almost three to one.

The New Tools

What are the tools that seem to have found so much greater use by insurgents than by corporate managements? They are simply full disclosure, clarity and organization in the presentation of printed facts, deliberate courtesy, frequency of contact, establishment of a personal relationship and adaptation of the know-how of advertising and sales to the specific problems of stockholder relations.

There is certainly no reason why a proxy statement should read like a complex legal document, dull or obscure. There is no reason why illustrations, both drawings and photographs, should not enliven and clarify all corporate communications. If the illustrations are lighthearted, so much the better.

Sherman M. Fairchild may well have won his now-famous proxy contest when he had a fine commercial artist depict management as a group of midgets surrounding and admiring a giant, the Chairman of the Board, and the average stockholder as a man being nailed inside a packing crate by the corporate secretary. Undignified? Perhaps so, but worth a thousand legalistic words.

Even the corporate proxy has become an important new tool of defense or offense. Adaptation of the standard self-mailer used by direct mail advertising companies was pioneered by Mr. Fairchild and has since seen valuable service in a number of proxy fights, although it still awaits acceptance by the management of any American corporation.

The self-mailer proxy has many advantages. If it is not returned, there is no waste of postage. If it is returned, the postmark on its face acts as a guarantee of the time at which the proxy was signed—an important factor in a proxy fight where it is common for stockholders to sign several proxies for either side. Moreover, even as a printing cost item, the self-mailer proxy saves money, since the proxy is also its own envelope.

The self-mailer proxy is useful even in the absence of a contest, not only because of the savings cited above, but because it attracts greater attention and almost invites action. Folding it to form the envelope is a sport which few stockholders seem capable of resisting. Statistical measurement has shown the self-mailer proxy to be at least 20% more effective, a significant margin for establishing a quorum or winning a proxy contest.

The list of better forms and better techniques is almost endless, ranging from a folded annual report that fits the wallet pocket, but opens to full size, to the use of corporate movies and visual-aids at regional meetings for stockholders. However, substance remains more important than technique in stockholder relations, as in all human relations.

The vital and all too often missing element in corporate work with stockholders is bad news. This element is provided by the "outsiders," one can be sure, and has an impressive effect upon any stockholder who has been lulled and pacified for years.

Why is bad news potentially useful to management? First, it is useful because it clearly establishes management's dedication to the principle of full disclosure. Secondly, it is useful because it establishes management's confidence in the maturity and fair-mindedness of the owners. Finally, it can be useful as a contrast to successes, a contrast which makes successes seem more dramatic, and as a demonstration that management during difficult times faces reality squarely.

Truth, constructively delivered to stockholders with up-to-the-minute clarity and drama, appears to be the essential foundation for sound relationships between management and the owners.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Alfred M. Robinson, Jr. has been added to the staff of B. C. Morton & Co., Penobscot Building.

With Hamilton Managemt.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Bob Shrader is now with Hamilton Management Corporation, 445 Grant St.

Why United Nations Day?

By WILLIAM A. ROBERTSON
Member, New York Bar

Commenting on the naming of Oct. 24 as "United Nations Day," Mr. Robertson sees something of a farce in this. In his opinion, neither the Security Council nor the General Assembly are able or fit to establish peace in the world.

The naming of Oct. 24 as United Nations Day is something to make us pause and think. Why should we observe any day at all for this organization?

What qualifications does the United Nations possess for its appointed task? Is the United Nations possessed of any powers or qualifications that would encourage any one to think it can ever accomplish the one great purpose for which it was created — the abolition of war? This question may baffle even its most ardent disciples. The average man in the street can give no satisfying answer. He knows vaguely that the United Nations operate through its so-called "principal organs." One is its General Assembly. This is composed of the representatives of 60 nations, and it is based on "the principle of the sovereign equality of all its members." Each country has just one vote: the United States is no better off than Cuba or Guatemala.

Is any one of us ready to trust the fortunes of our own country, or those of the world, on any subject, to a collection of political units made up in any such grotesque and perilous manner as that? Many of them do not know what free government really means; and most of them are financially irresponsible, or nearly so. One of the recent presiding officers of this Assembly declared it had become a mere debating society. Thousands of us will agree to this; but what about such an Assembly being able to establish peace in the world, and abolish war? Echo answers, what?

The Security Council, the guardian of world tranquility. Another "principal organ" is the Security Council. It consists of just 11 individuals. These represent the following countries as permanent members, namely, Russia, Great Britain, France, China and the United States. Besides these permanent members, there are six other countries, who hold their seats for only two years at a time. Thus the Council is of a kaleidoscopic character, only five of its members being permanent. The five permanents possess, each one of them, a veto on any measure of real importance.

UN possesses no army or navy or air force of its own. It does not have the power to impose a tax of any kind. It may simply ask its member nations to pay certain allotments, or quotas, of money so it may defray its expenses. In this respect it is like our own United States under the old Articles of Confederation, which proved such a terrific failure that our present Constitution had to be adopted to save the country from bankruptcy and demoralization.

In attempting to operate under the conditions we have described, the work of the Council has been brought almost to a stalemate: for Russia is almost sure to differ hopelessly from some or all of her associate members. There is even violent and disrupting confusion of thought among the members as to just what "China" really is. Is it the section of the Chinese people who recognize the authority of the Government of China on the Continent of Asia, or those who give their allegiance to the government-in-exile on the Island of Formosa?

Almost total failure of agreement or action has been disastrous to UN. In plain English, the United Nations commands neither the confidence nor the respect of any one of its 60 members. What has UN done toward the solution of troubles in Korea or Indo-China, or between Israel and the Arabs, or between India and Pakistan over Kashmir, or between England and Egypt? If anything has been accomplished in these affairs, it has not been the work of the United Nations, but rather of negotiations entirely outside their jurisdiction.

Where does the United Nations stand in the minds of most of us Americans? About 100 years ago, James Russell Lowell humorously described the public mind toward the philosophy of Emerson known as transcendentalism, which was just then attracting much attention. Just what transcendentalism was, puzzled every one. Mr. Lowell says of it in his "Fable for Critics," and of Emerson himself:

"All admire, and yet scarcely six
converts he's got
To I don't (nor they either) exactly know what."

It is not otherwise in the case of the United Nations. The thought seems to be this: The idea of a single world government is sublime, and elevated far above the ordinary and commonplace thoughts of practical people; it is the duty of Christian people to give unquestioning allegiance and support. But how is the dream to be realized? Cardinal Dubois of France once made this comment on a proposal for a Congress to be held at Cambrai, to settle a number of matters in dispute between France and England. "The Congress," he said, "will occupy half its session in regulating questions of etiquette, and the other half in doing nothing, and then some unfortunate event will bring it to an end."

Could the career of the United Nations have been foreseen with greater clearness? The Cardinal was a shrewd judge of human nature. But there is a serious and far-reaching question that remains:

One serious question for us all; Where would the world be if the UN could ever persuade vigorous and patriotic citizens of any land to hand over the conduct of their countries to a world government of 11 individuals? Who would transfer to a thing of paper and sealing wax that true and magnificent allegiance of mind and heart which UN vainly seeks to acquire? Who will ever forget his native land, and give himself and his manhood and his ambitions to a vague sentimentalism? Who is ready to become that pitiable object—"A Man Without a Country"?

"Breathes there the man, with soul so dead,
Who never to himself hath said,
This is my own my native land?
Whose heart hath ne'er within him burned
As home his footsteps he hath turned
From wandering on a foreign strand?"

—Sir Walter Scott

Harris Upham Adds

(Special to THE FINANCIAL CHRONICLE)

WINSTON, SALEM, N. C.— Daniel A. Lynch, Jr. has become connected with Harris, Upham & Co., Pepper Building.

Investment Problems Ahead For Life Insurance Companies

By GEORGE T. CONKLIN, JR.*
Financial Vice-President,
The Guardian Life Insurance Company of America

Contending that investment problems for life insurance companies will be greatly increased in the years ahead, with more risk involved and possibly less compensation for that risk, insurance financial executive urges that insurance companies prepare for these changing conditions. Says equity component of life insurance investment seems certain to increase, but there is likely to be a material reduction in the equity cushion available to debt investment. Holds trends in life insurance investments point to less transferability of risk than in past, and urges financial executives to maintain an open-minded attitude, coupled with healthy skepticism.

I would like to discuss with you today a few factors bearing directly or indirectly upon investment policy, which, in my opinion are of a fundamental nature. In the brief time allotted, I cannot hope to treat the subject thoroughly, and will have to make somewhat dogmatic statements without full argumentative support.

G. T. Conklin, Jr.

The first fundamental premise upon which an investment policy should be based relates to a basic attitude of mind—namely, an open mind, a thinking mind, free from truth-obscuring prejudices, an inquiring mind, one imbued with a healthy skepticism and not easily susceptible to easily mouthed investment platitudes.

If an investment policy is to have a solid chance of success we must be willing and eager to dig out, analyze and carefully weigh the facts in an objective manner, not to try and hide them behind a screen of prejudice; we must seek and welcome constructive criticism, and I emphasize the word "constructive," not attempt to shut off criticism in the fear of having our previous ideas proved wrong.

We must not be so dead set against common stocks, or mortgages, or subordinated bonds, or lower quality issues, or small companies — just to take a few examples — that we render ourselves incapable of objectively analyzing them.

We would all do well to analyze ourselves rather ruthlessly to try and root out prejudices and open our minds. This is by no means an easy task for prejudice is an insidious thing leading all too easily to rationalization instead of thinking. The older we get, and the more seasoned investment experience we have acquired, the more we are subject to prejudices and a closed mind. It is only when you have experience distilled in a basically open mind that it becomes a real asset in investment management.

Let us assume then that an open-minded objective attitude coupled with a healthy skepticism is a prerequisite for an intelligent investment policy—and even the most prejudiced will generally concede this as a matter of principle — even though they, consciously or unconsciously, in actual practice severely violate it. The next step is to formulate and agree upon the basic objectives of investment policy. It would take far more time than is available here to discuss these objectives, but I would like to point out one important factor in this connection. Life insurance investment as contrasted to most other institutional investment is strikingly characterized by its ability to take the long look—to invest for the long term, with minimum economic consideration necessary for liquidity and marketability. This characteristic of life insurance investment is determined by the nature of the life insurance business, and particularly its economic status in the economy.

*An address by Mr. Conklin before the Financial Section of the American Life Convention, Chicago, Ill., Oct. 8, 1954.

Consequently, I would like to stress the point that investment men should know more about the nature of the business and its economic position. The latter has changed drastically in the last twenty years from a booming growth industry to one which, over most of the period, lost ground relative to the rest of the economy, and at present is just about managing to keep abreast. This changing status, obscured by the intervening war years and the postwar inflation, and still unrecognized by the majority, may have important implications for future investment policy and hence should be studied carefully.

The Investment Environment

Let us turn now for a moment to the investment environment confronting life insurance investment policy now and likely to confront it in the future. For a number of reasons, I have come to the conclusion that the problems that will face us in the future will in all probability be more complex and involve more investment risk than in the past.

(1) The field of investment activity for life insurance companies has widened considerably in recent decades and will continue in that direction.

In the early years of the industry mortgages, governments and municipals were the only important fields of investment. Requisite investment analysis was relatively simple. By the twenties the field had broadened to include two additional fields—both relatively homogeneous in character — namely railroad and public utility bonds. In the last 15 years the field has broadened tremendously — it now includes the entire industrial bond field—this field has become the most important outlet for life insurance funds—and comprises not one field but literally several hundred separate and distinct industries—the investment field has likewise broadened to include housing, investment real estate, preferred stocks, and more recently, common stocks.

This widened field of investment activity has been inevitable due to the substantial growth of life insurance funds. In the distant past, with the relative insignificance of insurance funds, the life insurance industry could ignore large fields of investment which it considered less attractive and concentrate on other fields which it considered attractive. Its ability to do this in the future will become increasingly limited. More and more the investments of the industry will tend to mirror the general pattern of demand of the economy for capital. Thus, the industry may be less able to avoid risk in the future than in the past. In the case of individual companies, particularly the smaller ones, investment flexibility will continue unchanged and will, in this respect, provide them with an important advantage over the larger companies whose investment flexibility will become more limited.

(2) The future seems certain to be the Research Age, and an inevitable concomitant of increased research is increased risk for existing investment. The number of chemists in this country is doubling every 15 years, the number of physicists every eight years. Even excluding the huge expenditures on atomic energy, research expenditures are more than 10 times those of the twenties and growing rapidly. Progress in technology, new products, and new methods seem certain to unleash severe competition for established capital investment, and investment risks thereby appear to be on the increase. This will mean that appraisals of future trends will be more important than even before in investment analysis.

(3) One is impressed in reviewing the past record of life insurance investment with the fact that an important reason for this excellent record has been the equity cushion provided for life insurance investments by risk-takers. It may well not be possible in the future for the industry to concentrate on debt investment with a large equity cushion.

The equity component of life insurance investment seems certain to increase. The industry is investing increasingly in such equity fields as common and preferred stocks, housing, and real estate. In addition, it has invested in fields where the equity-risk cushion has been narrower or non-existent, such as in pipeline financing, toll road financing, etc.

This trend seems likely to increase further in the years ahead. It may well offer far greater opportunities and returns, but in any case, it means increased investment risk.

(4) The business cycle will remain as a serious investment risk despite the contention in many quarters that it has been abolished. We may well have been lulled into complacency for we have been in a cyclical upswing for so long and have had no challenging testing period for an investment. Whatever the future, possibilities of mitigating the business cycle, and they do hold considerable promise, at the present time it seems to me that we have to be "from Missouri."

(5) With the rapid increase in our standard of living in this country, an increasing percentage of our consumption has been non-necessitous and postponable, and hence subject to wider fluctuation and quicker change. The inevitably widened scope of our investment activities has reflected this change particularly in the last decade with the tremendous expansion of industrial loans, and with the increase in loans to smaller companies. These trends likewise mean increased investment risk.

Transferability of Risk Reduced

(6) There exists far less transferability of risk today than in previous years. With the institutionalization of the bond market, there is today no well organized market for trading bonds. The development of direct placements has further accentuated this trend.

In the past, if an investment began to deteriorate in quality, the investor had a fairly ready opportunity to transfer at least part of the risk to someone else through the market place. This opportunity to transfer risk has diminished greatly and means that an investment once made may be irrevocable. This heightens the need for thorough, forward looking investment analysis.

(7) Finally, interest rates are

Continued on page 40

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

A Typical American Industry—Brochure describing diversified products based on processing of transparent films, foil, etc. —Dobeckmun Company, Cleveland, Ohio.

Atomic Energy and Uranium—Booklet—James Anthony Securities Corporation, 37 Wall Street, New York 5, N. Y.

Bond Market—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Canada's Oil Industry—Analysis—Nesbitt, Thomson and Company, Ltd., 355 St. James Street, West, Montreal, Que., Canada.

Cement Industry—Analysis of Japanese Cement Industry—in current issue of "Investors Beacon"—Nomura Securities Co., Ltd., 1-1 Chome, Tori, Nihonbashi, Chuo-ku, Tokyo, Japan and 61 Broadway, New York 6, N. Y. In the same issue are analyses of Japanese **Chemical Fiber Industry**, **Vegetable Oil Industry** and a study of economic policy in Japan.

Common Stock Holdings of Four Types of Institutions—100 largest New York Stock Exchange issues held—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Current Recommendations—Switch recommendations—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Federal and State Stock Original Issue and Transfer Tax Rates—Free booklet—Registrar and Transfer Company, 50 Church Stdeet, New York 7, N. Y.

Fifty Foreign Investors' Favorites—Japanese securities most favored—in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

National Stock Service—Latest quotations and data on extra dividends, ranges (15 years), month-end quotations, capital changes, distributions, transfer changes, mergers, new issues and reorganizations—two weeks free trial (for dealers and brokers only)—see coupon on page 2 (NSTA Supplement)—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

New York City Bank Stocks — Comparison and analysis for third quarter of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Sylvania Electric.**

Oil Industry in Japan with particular reference to **Nippon Oil Co., Daikyo Oil Co.,** and **Mitsubishi Oil Co.**—In current issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Petroleum Outlook—Bulletin—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available are a report on **Safeway Stores,** and an analysis of **Rails** with particular reference to **Baltimore & Ohio Railroad Company, Illinois Central Railroad Company, Northern Pacific Railway Co., Southern Pacific Company, Southern Railway Co.** and **Union Pacific Railroad Co.**

Uranium Industry—Information—reprinted from "Engineering and Mining Journal" — Southwestern Securities Company, Mercantile Commerce Building, Dallas 1, Tex.

* * *

American Hawaiian Steamship — Memorandum — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

American Investment Company of Illinois—Analysis—Reinholdt & Gardner, 400 Locust Street, St. Louis 2, Mo.

American Radiator & Standard Sanitary—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Louisiana Land & Exploration** and **Chicago & Eastern Illinois.**

Arizona Public Service Company—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif. Also available is an analysis of **Foremost Dairies, Inc.**

Associated Oil & Gas Co.—Analysis—Franklin, Meyer & Barnett, 120 Broadway, New York 5, N. Y.

Butterick Company, Inc.—Analysis—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

C. G. Conn Ltd.—Memorandum—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Dresser Industries—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Eastern Air Lines, Inc. — Review — $2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Edgewater Steel Company—Analysis—Simpson, Emery & Company, Inc., Plaza Building, Pittsburgh 19, Pa. Also available is an analysis of **Wyckoff Steel Company.**

Thomas A. Edison, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Cincinnati Transit Company.**

B. F. Goodrich Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Great Northern Railway Co.—Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y.

Hecht Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Investors Diversified Services, Inc.—Study—Lloyd E. Canady & Company, Commercial Building, Raleigh, N. C.

Kaman Aircraft Corp.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

MacGregor Sport Products, Inc.—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Minneapolis, St. Paul & Sault Ste. Marie—Bulletin (No. 177) Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

National Cylinder Gas—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Opemiska Copper Mines (Quebec) Limited—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Penn Controls, Inc.—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Public Service Co. of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Riverside Cement — Analysis — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Spencer Chemical Company—Annual report—Spencer Chemical Company, Dwight Building, Kansas City 5, Mo.

Texas Natural Gasoline Corporation—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Theodore Gary & Co.—Analysis—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Union Carbide & Carbon Corporation — Memorandum — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

S. D. Warren Company—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Wisconsin Power and Light Company—Analysis—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

Winners in the NSTA Golf Tournament Atlantic City, N. J.

Low Gross: James A. Donnelly, Jr., Reynolds & Co.__________80
Tie for second place between James B. MacFarland, Hecker & Co., Philadelphia, and Russell Ergood, Stroud & Company, Incorporated, Philadelphia, was settled by a toss-up giving Mr. MacFarland second prize and Mr. Ergood third prize; William Brown, Baker, Simonds & Co., Detroit, won fourth prize.

Low Net: James Torpie, Torpie & Saltzman, New York______68½
John Meyers, Gordon Graves & Co., New York ____________70
Paul Buse, W. C. Thornburgh Co., Cincinnati ____________72
Roald Morton, The Blue List, New York City____________73

Winning Team: (Cup given by National Quotation Bureau)—New York Team—James Torpie, Torpie & Saltman; Oliver J. Troster, Troster, Singer & Co.; Roald Morton, The Blue List; John Lann, John J. Lann Securities.

Kicker Prize: John Wallingford, Jr., Stroud & Company, Incorporated, Philadelphia; Oliver J. Troster, Troster, Singer & Co., New York; Roald Morton, The Blue List, New York; Walter C. Gorey, Walter C. Gorey Co., San Francisco; George P. Kenny, Willis, Kenny & Ayres, Incorporated, Richmond, Va.

Blue List Cup for Low Gross by a Municipal Man: Russell Ergood, Stroud & Company, Incorporated, Philadelphia.

Winners in the NSTA Tennis Tournament Atlantic City, N. J.

First Prize: Phillip J. Clark, Amos C. Sudler & Co., Denver, Colo.

Runner Up: William Gregory, Jr., Bonner & Gregory, New York and Leslie J. Swan, Chas. W. Scranton & Co., New Haven, Conn.

Muir Inv. Co. To Hold Open House

SAN ANTONIO, Tex.—Muir Investment Corporation will hold open house at its new offices, 101 North St. Mary's on Friday afternoon, Oct. 15, from four to six o'clock.

COMING EVENTS

In Investment Field

Oct. 26-27, 1954 (Pinehurst, N. C.)
Securities Dealers of the Carolinas, South Carolina Municipal Council, and North Carolina Municipal Council annual joint meeting at Mid Pines Club.

Nov. 4-6, 1954 (Florida)
Florida Security Dealers Association Annual Convention and Election of Officers.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

Amott Baker & Co. Official Changes

Amott, Baker & Co., Inc., 150 Broadway, New York City, announce that Ralph C. Baker has retired from his ownership interest and administrative responsibilities of the firm to reside at his home in Springfield, Vermont.

Mr. Baker will continue his active association with the firm, and in addition to representing it in the New England area his services will be available for special assignments elsewhere as occasions require.

John H. Hawkins, director, has been elected a Vice-President of the firm, and Wilbur J. Janssen has been elected Treasurer and director.

There will be no change in the name of the firm or in the firm's established policies and activities.

Jones, Kreeger Opens Foreign Invest. Dept.

WASHINGTON, D. C. — Jones, Kreeger & Hewitt, Cafritz Building, members of the New York Stock Exchange, have opened a foreign investment department to assist foreign investors and to handle special financial situations in foreign markets. Kenneth N. Watson is Manager; Constantine de Stackelberg, Consultant.

Canavan, Lacy and Fitzgerald With Eastern

Eastern Securities, Inc., 120 Broadway, New York City, announces that John J. Canavan and Herbert J. Lacy have joined the firm's trading department and Thomas Fitzgerald has joined the statistical department. Mr. Canavan was previously with New York Hanseatic Corporation. Mr. Lacy was with C. D. Pulis & Co.

Frank Taylor, Jr. With Mead, Miller & Co.

BALTIMORE, Md. — Frank J. Taylor, Jr., is now associated with Mead, Miller & Co., Charles & Chase Streets, members of the New York and Philadelphia-Baltimore Stock Exchanges. Mr. Taylor for the past 15 years has been associated with Stein Bros. & Boyce.

With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—S. Albert Ackerman has become associated with Leo G. MacLaughlin Securities Co., 54 South Los Robles Avenue. Mr. Ackerman has been in the investment business for many years, recently with Akin Lambert Co.

Common Stocks as Investments

Prominent analyst holds many people fail to properly distinguish between investing and speculating. Advocates investors ignore fluctuations in market price of stocks and concern themselves primarily with underlying values.

We don't think that the stock market is the proper place for people's short-term reserves, and we cling to the old-fashioned notion that common stocks are essentially a money-making vehicle for entrepreneurs. A great deal has been written in the last five years about common stocks for "everybody"—the concept is really fairly new, and it would have shocked the true investment or commercial banker of 40 years ago, before World War I, to have witnessed the extent to which blue chip common stocks have become an accepted investment medium.

Louis Stone

In 1924, Edgar Lawrence Smith wrote a book called "Common Stocks as Long-Term Investments," which was the first serious academic presentation of the case for common stocks as against bonds and preferred stocks. Smith's work was carefully done, and his conclusions were sound; the ensuing runaway market of the Twenties and the subsequent crash had no real relevance to the ideas Smith presented, but they did prevent for a long time any popular acceptance of the fact that economic history has always favored selected equities.

Now, after five years of a bull market in good common stocks, we are again being flooded with popular versions of the Smith philosophy, and we must again point out, as so many others have done in the past, that the long-term record of stocks vs. bond comparison is a dangerous invitation to all kinds of faulty generalizations. A working widow with a $40,000 legacy and two school-age children should not, in our opinion, be urged to put her money into du Pont at 140 because of its 10-year growth possibilities. Du Pont is a very good common stock but it goes up and down with all the others; here is the record of du Pont's major price fluctuations over the past 30 years (adjusted for stock splits):

1924	Low	4
1929	High	57¾
1932	Low	5½
1937	High	45
1941	Low	36
1946	High	56¾
1949	Low	43½
1954	High	144½

Long-Term Value

Anybody who thinks of du Pont, or almost any other of the blue chip stocks, as a safe investment is just plain wrong if "safe investment" means, as it used to mean and as we think it should mean, something you can always get your money out of regardless of the trend of the times. The years 1931-42 or 1941-42 may seem to have passed very quickly, in retrospect, but people always seem to get their time elements mixed up when they talk about investments—two years is a long time to be stuck in something at a loss, particularly when you never *know* that the loss will eventually turn into a profit. We don't propose to keep our clients happy by feeding them a lot of pap about how many babies will be born in 1975. We insist on a realization that common stocks, even the best of them, are essentially marginal in character, and if you are going to buy them for long-term investment you must be prepared to see them go down as well as up over the years—the stock market is no one way street and never has been.

After all, when you buy a piece of income-producing real estate, you buy it because of its *value to you*, not because you expect to see it quoted in the paper every day at a constantly rising price. We suggest that a true investment buyer of stocks should only buy on the basis of the stock's *value to him*, not on the basis of any assumptions as to what other people may be willing to pay for the stock tomorrow or next year.

In other words, if you buy General Electric at its current price of 44, with a $1.60 dividend rate and estimated 1954 earnings of about $2 a share, you should be willing to ignore the fluctuations that result from the constantly changing judgments of the marketplace. If you are correct in your judgment, the market will sooner or later adjust itself to the value that you have seen, and you will find yourself rewarded for judging values rather than for indulging in guessing games. (Incidentally, we do not consider General Electric a relatively attractive stock in the current market.)

Investment vs. Speculation

So much for the true investment buyer, who is a rather rare individual. Most of the daily trading volume comes from people who are out to *make* money, not just invest the money they have already made. There is a clear distinction, and we are all in favor of informed speculation by those who know the difference between speculation and investment. As a matter of fact, we think that common stocks lend themselves much more to speculation than to investment, despite all the current hullabaloo about long-term trends, and if you will clarify your own thinking and tell your broker what you really want, he can do a better job for you. Too many people make believe to themselves that they are looking for a conservative long-term investment when what they really want is something that's likely to go up five points the next day.

Commentary by Louis Stone in J. R. Williston & Co.'s October Investment Letter.

Iver Olsen Joins Tripp & Co. in N. Y.

Tripp & Co., Inc., 40 Wall St., New York City, dealers and distributors of State, Municipal and Public Revenue bonds, announced that Iver C. Olsen has joined the firm as Washington representative. Mr. Olsen was previously financial and economic counselor to U. S. Overseas Missions and former consultant and advisor to the United States Government on State and Municipal finance.

With Woolfolk & Shober

(Special to The Financial Chronicle)

NEW ORLEANS, La.—B. J. Johnson has become affiliated with Woolfolk & Shober, National Bank of Commerce Building, members of the New Orleans Stock Exchange.

Joins T. A. Alcock Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Arthur F. Brooks is now with T. R. Alcock Co., 89 State Street.

Florida's Future

By ROGER W. BABSON

Commenting on Florida's industrial possibilities, Mr. Babson finds that main reason Florida has lacked jobs is because it has lacked heavy industries and he ascribes this to absence of Natural gas in the state. Tells of proposal to supply liquefied natural gas from Venezuela to Tampa.

Almost everyone — including boosters for California, Arizona, and New Mexico—will agree that the Florida winter climate cannot be beat. Up to the present time, however, readers have heard no praise of Florida's industrial possibilities.

Roger W. Babson

Any state which lacks industries usually lacks available jobs. This means that before moving to Florida you had better arrange to have a check from a pension fund or from invested funds sent to you from the North each month. Don't go to Florida now without either money or a promised job. This may apply also to other states; but I know Florida, having spent 30 winters there.

The main reason Florida has lacked jobs is because it has lacked heavy industries. The main reason it has not held its own industrially is because of its lack of natural gas—absolutely essential for industries which require a large amount of heat. Only four of our 48 states are operating with this handicap.

Why Florida Lacks Natural Gas

The first answer to this question is because natural gas has not been found as yet in Florida. It will be found some day; but when, no one knows. The second answer is that the constantly increasing demand for natural gas by the Carolinas, Georgia, Alabama, and other states lessens Florida's chance for supply by pipelines.

The situation has become worse since the big pipelines have been extended to the industrial East. These new pipelines mean more gas used at higher prices. This discourages the building of big pipelines into and through Florida to take natural gas into the state from states bordering Florida on the north.

Florida May Have An Industrial Boom

Through work being done by Willard L. Morrison, a famous engineer of Lake Forest, Ill., supplemented by the work of the Florida Research Group, at Babson Park, Fla., I believe Florida will get a great supply of natural gas from Venezuela. This gas will be compressed at Venezuela—on the basis of 600 cubic feet of gas being made from one cubic foot of liquid gas.

Gas Will Be Shipped By Water

This liquefied gas will be shipped in barges. They will be towed singly or in pairs from Venezuela to Tampa. The barges will be used for storage of the gas while it is being vaporized. Remember, one cubic foot of liquid gas will make 600 cubic feet of natural gas. Florida may well have the cheapest natural gas of any state.

Already Mr. Morrison is making contracts for sale of this liquefied gas to the Stock Yards of Chicago, after towing it from New Orleans up the Mississippi River. Yet, Florida is 2,000 miles nearer Venezuela than is Chicago. Yes, Florida is headed for a great industrial development.

The Value of Refrigeration

When the condensed liquid turns into gas, a tremendous amount of cold is produced. Mr. Morrison has selected the Chicago Yards as his first customer instead of many other nearer cities because of the Stock Yards' demand for refrigeration.

But, certainly, Florida needs refrigeration as well as natural gas! It is needed not only to freeze citrus juices and to preserve other products, but to "cool the entire state in summer." If natural gas is discovered in Florida, or piped in, such gas will give the needed heat, but not the needed refrigeration. Liquefied gas, however, will provide both warmth in winter aud coolness in summer, together with the terrific heat needed for industry throughout the year. For further details contact any Florida gas company.

Howard R. Bouton to Be J. J. Murphy Partner

A new partnership, Murphy & Company, 39 Broadway, New York City, members of the New York Stock Exchange, will be formed Oct. 15. Partners are John J. Murphy, member of the Exchange and Howard R. Bouton. Mr. Murphy was a member of the previous partnership of Murphy & Company, which is being dissolved. Mr. Bouton has been a partner in Verace & Co.

Hess Inv. Co. Adds

(Special to The Financial Chronicle)

QUINCY, Ill.—Leroy H. Lochman has become connected with Hess Investment Company, Illinois State Bank Building.

With Mid-Continent Secs.

(Special to The Financial Chronicle)

SHREVEPORT, La.—Orville D. Cox is now with Mid-Continent Securities, Inc.

New Factors at Work In Investment Markets

By J. ROSS OBORNE
Assistant Manager, Nesbitt, Thomson & Co., Ltd.
Montreal, Canada

Among the new factors discussed by Mr. Oborne is the policy of keeping interest rates stable and not too high, since "the difference between 3% and 2% interest can have as much effect on the economy as the Atom Bomb. Says we can't rely on cycles any more in our economy and must watch for small signs that precede the avalanche.

The difference between 3% and 2% interest can have as much effect on the economy as the Atom Bomb.


J. Ross Oborne

Since the war, a whole new concept for ironing out the dips and rises in business has developed. This system is built around the interest rate that is charged for the use of money.

It has been proved that the whole economy can be slowed down or picked up by moves in the basic interest rate of as little as a quarter of 1%.

The theory behind it is simple: people will borrow more money when the rate charged for its use is low and they will stop borrowing when the rate is high. No business will borrow money at high rates if what it pays is too high in relation to anticipated profit margins.

This policy of "managed money" is clearly shown by the actions of the U. S. Government in the last few years. Before the Eisenhower Administration took over, continual controversy existed on the question of whether interest rates should be low or high. One faction favored high interest rates to curb inflation; the other low interest rates because of the cost of carrying the tremendous war debt. Interest rates were low at the time Eisenhower took over. From then on the policy changed. Efforts to curb inflation and make a dollar worth a dollar were resorted to. Interest rates went up and they went up quickly. It took business a little longer to react but, when it did, it showed all the signs of a healthy recession in the offing.

By June of 1953 rates were the highest in 15 years. By then everyone was worried. England was positive that the U. S. was going to put the whole western world into a major depression. Business outlook was poor, business expansion had slowed down and inventories were high and not moving. Unemployment figures were rising rapidly. The U. S. Government even started to panic. They need not have been too concerned because the method used in raising interest rates to slow the boom could be just as effectively used to start the boom again.

Before the end of June, 1953, the whole policy of high rates had changed and low rates were on the way again. This policy has continued up until the present time. To give you an idea of what these changes in interest rates mean to you and me, let's look at a few examples here in Canada. Canada, incidentally, has followed the same general pattern as the U. S. A.

In 1952, a prime first mortgage could be obtained for about 4½%. by June, 1953, the same type of mortgage would have carried a 6% rate. Perhaps today the rate should be about 5%, but oddly enough mortgage rates have a habit of going up much more quickly than they come down. Similarly a loan from a bank in 1952 might have been obtained at about 3½%. By mid-1953 this rate was about 5%. Even now this picture has not changed very much. While mortgages and bank loan rates have sometimes been slow to change, the bond market has reacted more quickly. For example, in June of 1951, Dominion of Canada 9th Victory loan 3% Bonds due June 1, 1966, were selling at $98.00; by June of 1953 they had reached a low of about $92⅞; they are now selling at about $100⅞.

Where in the cycle do we stand just now?

We are told by economists, analysts and politicians that the U. S. economy is healthy again. The low interest rates seem to have done a good job. Business is borrowing again for expansion, inventories are being worked down and unemployment figures are falling too.

If we choose to believe all we read—that business is not only good but that it is going to boom again in the next few months—then we can look for the usual change. The boom spells inflation and inflation means higher interest rates to slow it down.

The signs to watch are what happens to the bond market after the November elections. Don't forget that low interest rates were forced on Eisenhower's Administration and are in direct contrast with its original policy.

So much for the bond market, which is rather a dull affair anyway. Let's look at the stock market. We have seen one rather important trend this year which is somewhat new to the Canadian market by virtue of its magnitude. There has been a number of large Funds formed in the U. S. A. for the purpose of purchasing Canadian equities. Their main purpose is capital appreciation and not income. Most of these Funds will pay no dividends to their shareholders. We thus conclude that, irrespective of the purchases made, the action is speculation and not investment.

Purchases made are in our better class, blue-chip high-grade Canadian common stocks. Naturally the "Funds" do not wish to move our market prices up if it can be avoided because it costs them more to buy. On the other hand, the money is there to be invested without undue delay.

There is one thing to keep in mind about our Canadian common stocks. There are relatively few of them in comparision with the U. S. market. This is particularly true of our better grade common stocks of the type the "Funds" are buying. Thus, a cencentration of buying orders among the shares of a few companies can have a very marked effect on the price of the shares.

Quite obviously these "Funds" are not buying on a short term basis. They must have their sights set on growth, not over two or three years, but perhaps 15 or 20 years or even longer.

It would be rather disturbing for us to think otherwise. What has been purchased will be sold later. What would the results be if several of these Funds decided simultaneously to liquidate their holdings? The Canadian market would not be able to digest large sales. Our market is not a "broad" one like the New York market. The Canadian market faced with large offerings from U. S. sources would be a one-way street and all of that down hill. Canadian buyers just don't exist at the present time to take up large block offerings. We saw that only too well about two years ago when the Western Oil market turned down. The market had been developed in the main by burst of over-enthusiastic U. S. capital. When the U. S. interests wanted to sell, they found few buyers. We are all aware of the position of the Western Oil market today.

I draw this comparision because what is going on today in our better common stocks is also speculation. In the final analysis it is not the speculator who regulates the market, it is the investor. It is the man who expects a fair return on his investments.

The word "trend" conveys the idea of something that happens gradually and over a long period of time. The trends we have mentioned are short and dynamic in nature. As such their influence on business can carry punches that will have immediate effects. We can't rely on cycles any more in an economy like ours. We must be on the watch for the small signs of activity that precede the avalanche. No businessman today can afford to underrate the Government's power to change the whole direction of business by a change in money rates.

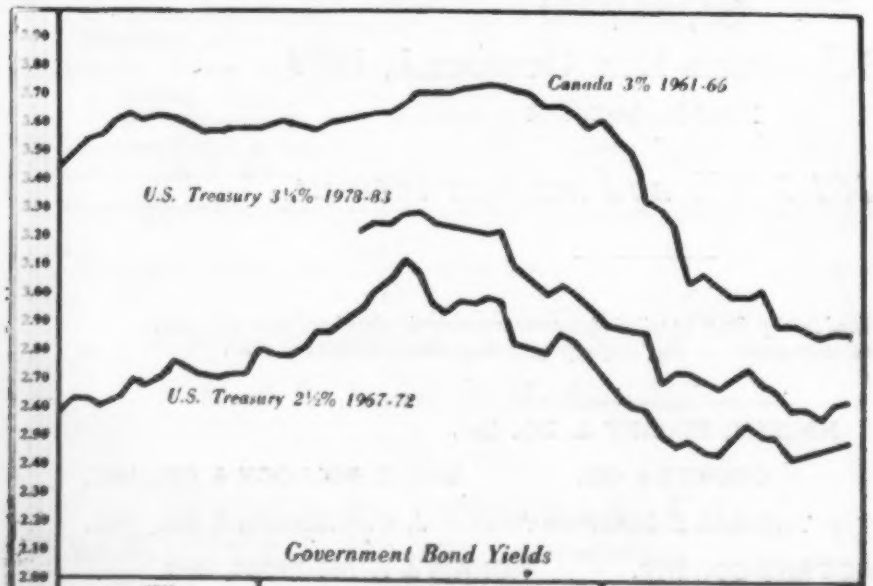


Chart by Ivor Murray

From Washington Ahead of the News

By CARLISLE BARGERON

This writer almost intimately knows of an episode on the Island of Capri during a Christmas holiday of World War II. I know of it to this extent: one of those present has told it to me.

Present in the small holiday group, in addition to my friend, were Eisenhower, Elliott Roosevelt, Harry Butcher, Eisenhower's naval aide who made a fortune out of his book, "My Four Years with Eisenhower," and one or two others of no consequence.


Carlisle Bargeron

Elliott broached the proposition that Eisenhower was to be President of the United States. My informant tells me that Ike walked up and down the living room in which this gay group was gathered, avowing that under no circumstances would he be a candidate for the Presidency unless he had the nomination of both parties. This showed his naivete, to say the least, about the American political system.

And it came about that this man, instead of anything like getting the nomination of both parties, had to work like a demon to get it from one party. There was nothing of the office seeking the man in Eisenhower's pre-convention campaign to get the Republican nomination.

But Mr. Eisenhower since he has been in office, abetted by "liberal" Eastern newspaper editors, has seemed to take the attitude that he was not a Republican President, not the President by virtue of having been the Republican party's Presidential nominee, but in response to a great demand of the American people as a whole.

I think then that it is most interesting the great change that has apparently come over him.

There was a time when there was a widespread belief in political Washington that he didn't care whether he got a Republican or a Democratic Congress in November. This thinking ran that in fact he might be seriously tickled because he had come to his position of eminence at the hands of Democrats, that his life in Washington before he was named to command our troops in Europe had been with Democrats, particularly at Washington's famous Burning Tree Golf Club.

This thinking went to the extent that he might embrace a Democratic Congress, say hello fellows, I'm glad to see my friends finally arrive, and in turn, the Democrats would embrace him as their Presidential candidate in 1956.

But Mr. Eisenhower has finally come to see, apparently, even if anything like this was ever in his mind (and he gave indications that there might be because of his frequent statements that he wasn't very partisan) that it won't work.

It might work if with a Democratic Congress he would fire most of his Cabinet members and let the Democrats do the staffing of the myriad other government jobs from now on. In other words it might work if he would say: "Very well, we Democrats are now running the government," and make over his administration in the image of the Democrats.

He has been annoyed, of course, over the fact that all Republicans of the House and Senate have not gone along with him 100%, and that a sizable percentage of Democrats have supported him. So-called liberal editors have made a lot of this and insisted that what Eisenhower needed was a bipartisan Congress. The facts are that never in any period of history, so far as I know, has any President gotten the 100% support of his party. The facts are also that the Republican Congressional leaders have gone down the line for the President all the way, in instances, against their better judgment, and have whipped up enough votes for him to get through a large part of the "crusade's" program.

If we read the reports from Denver aright, Mr. Eisenhower has rather belatedly come to realize the facts of political life, and these are that he must accept being a Republican President and fight for the return of a Republican Congress. He may not, undoubtedly does not like, all Republican members of Congress or their views. But history has shown that those Presidents who think they are so big that they can pick and choose among members of both parties, between "liberals" and "conservatives" without regard for party labels, who have shown they are neither fish nor fowl as between the two political parties, have experienced nothing but grief.

I do not know that Mr. Eisenhower's belated conception of political realities will be of avail in November's elections. But I make bold to make this prediction, and there are indications the thought has been sold to him: If the Democrats capture both Houses of Congress, he will be a one-term President.

With Merrill, Turben

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—David T. Mitchell has become affiliated with Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard K. Clarke and Edgar L. Jordan are now with Investors Planning Corporation of New England Inc., 68 Devonshire Street.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

PITTSFIELD, Mass.—Frederick T. Francis, Jr. is with Goodbody & Co., 28 North Street. In the past Mr. Francis was in the Pittsfield office of Reynolds & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Harry D. Truesdell is associated with King Merritt & Co., Inc., Woodruff Building.

Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. H.—Richard W. McGregor has become associated with Merrill Lynch, Pierce, Fenner & Beane. Mr. McGregor was formerly Durham, N. H. representative for Coffin & Burr, Inc.

Economic Guidance In Plans for Future

By MURRAY SHIELDS*
Vice-President and Economist
Bank of the Manhattan Company, New York City

Listing as "working assumptions" in the guidance for setting up future economic budgets, prominent New York bank economist finds: (1) technological advance makes it inevitable that long-term trend will be sharply upward; and (2) there should be no fear of another long deflation. Cautions, however, planning should be based on experiencing probable fairly deep depressions from time to time. Sees "rosy days of easy profits" behind us, and decries view that government can effectively check business downturns.

This observer has accumulated enough seniority in economic diagnosis and prognosis to have acquired a healthy respect for the role of the unexpected in our economic affairs. Nevertheless, it is the function of a practising, professional economist to attempt as best he can to provide a set of "working assumptions" as to the outlook for the guidance of the planning officials of business and financial institutions who are charged with the responsibility of setting up budgets and plans for the future. That is what I shall attempt to do today.

Murray Shields

(1) No matter what fluctuations time may bring in the level of business, the rate of technological advance makes it inevitable that our long-term growth trend will be sharply upward, potentially more so than has ever before been the case in this or any other nation.

(2) For the next decade it is extremely unlikely that we shall experience anything more than one of two "deep recessions" or "little depressions." We need not fear another long deflation, such as we experienced in the 1930s. Further, there is no prospect of a monetary panic of crisis.

Nevertheless, it will be well to base our planning on the probability

that we will experience fairly deep recessions from time to time and that, even if we were to be successful in producing a slump-proof economy, it would still be a good bet that in the course of the next decade almost every major industry would at one time or another experience its own little depression;

that we are in a long rolling postwar readjustment affecting first one segment of the economy and then another and at the same time in a long rolling inflation involving first one part of the price structure (wages, commodities, real estate, bonds and equities) and then another, and,

that the rosy days of easy profits are behind us; that we clearly are entering a long period of extremely severe competition and lowered profit margins, which will force business to engage in intensive cost cutting, vigorous promotional activities and aggressive new product development; and that we are back to a **rather rugged normalcy** after a long period when high backlogs, huge military outlays and inflation made business unduly profitable for almost everyone.

A Broad Historical View

Such an appraisal of the outlook is supported by a broad historical view of what has been happening to our economy in the years since the conclusion of World War II. It is not as well understood at it should be that great wars represent such deep and devastating economic disturbances that they inevitably are followed by periods of extreme turbulence in our economic life. They create the most complex and massive economic imbalances. They set in motion great economic waves which persist for many years—if not decades. They develop vast shortages. They make necessary a frantic effort to rebuild the production facilities destroyed in conflict. They give a tremendous lift to capital formation in order to fill the backlogs of a demand accumulated during the restrictions of wartime. They give great impetus to technological advancement. They produce an irregular pattern of population growth and family formation. They bring into existence huge amounts of inflated money, liquid assets and debt. It is not surprising, therefore, that postwar periods have in the past been marked by the biggest booms and the biggest busts in our economic history. It would be foolhardy to disregard the historical pattern of economic fluctuations in the periods following the major wars of the past.

The "Something New" Added

It is assumed by most observers that something new has been added to our economic environment, namely the grimmest sort of determination on the part of governments everywhere to hold in check or to prevent altogether any significant downturn in business, employment and income—even at the expense of inflation either mild or severe. Here I must say that I do not share the confidence that just because our government does not want to pay the economic price for the greatest war of all time we shall escape having to do so. I'm not sure anyone in or out of government knows enough about economic fluctuations to do that job. I'm not sure that politically motivated economic policies will permit governments to take the necessary steps or to time them properly. I have litle confidence that "spend and lend" and "give and guarantee" represents the end-all of government policy, for if they were, some of the nations with very low standards of living would be the most prosperous countries in the world today. I'd much rather base my optimism on something more substantial and more reliable than on government willingness to inflate with abandon, to use its credit lavishly and to encourage lax policies on the part of everyone.

However, in my view there is a really encouraging new factor capable of holding our economic downturns in check. After World War II and the Korean sequel we cannot avoid living for a long while in a **rolling readjustment**, affecting first one area, industry and sector of the economy after another. And we just can't but live for a long while in a period of **rolling inflation** at the wartime emissions of inflated money are put to work in one market and one part of the price structure after another. But the vitally important factor is that we are experiencing not only a rolling readjustment and a rolling inflation, but also a **rolling revolution in productive technology** capable—if we but plan it that way—of rolling us so steadily upward in productive achievement as to prevent any reduction in the tempo of business activity from being more than moderate or temporary. There is real hope here, for hardly a day passes without the announcement of a new industry or a new machine or process capable of lowering costs and increasing productivity. It is perhaps the most important statistic of them all that business, the universities and the government are now spending more on research each year than all the money spent on research in all the years of our history prior to World War II.

Business has discovered that it can hire scientists to invent new industries and new ways of producing more cheaply with every assurance that they will perform with spectacular success. The whole range of physical sciences is being harnessed to the greatest effort ever made to provide a firm basis for another upsurge in our level of productivity and of the standard of living.

Expansion of Technological Research

I am convinced that the expansion of technological research into a predictably productive process calls for the lifting of our sights far above the projections based merely on the trends of the past, for the revolution in productive technology is capable of causing a sharp and substantial break upward from the rates of progress recorded heretofore.

The rapid rise in our population is not a statistical accident for it is the result of the reduction of infant mortality and the lengthening in the span of life fostered by the widespread application of the rapid advances in medical techniques. And what is destined to come out of our laboratories in the years ahead cannot help but make the future gains in population considerably larger than those of the past 20 years. The technological revolution is sure to make population increase one of the truly great expansionary forces in our economy.

It is, however, in the area of productivity that really spectacular progress can be realized. Future gains in production per capita could easily turn out to be impressively larger than in the past because of improved medical technology, which should reduce the number of days lost because of illness, and because full use of the improvements now clearly in view in agricultural, industry and metallurgical technology are capable of substantially raising the rate of increase in per capita output.

We have incubating in our laboratories, which are now so liberally financed by business and government and so well staffed with the best trained and the most practically imaginative scientists in the world, a host of new industries and an incredibly long list of new ways of producing more cheaply so that costs can be reduced and our markets can be widened. We are but at the beginning of a new age of technological miracles and I am convinced, after 25 years of study of these matters, that the really great phase of the technological revolution lies ahead of—not behind—us.

This is not to say that we have achieved the utopia of perpetual problemless prosperity. Rapid growth is by nature a jerky and uneven process. Temporary periods of glut in our markets and of overexpanded capacity are probably inevitable. When, from time to time, consumers and businesses become overextended retrenchment is unavoidable. Therefore, while the next decade will inevitably be a period of continued economic growth, it is likely also to be marked by considerable economic instability and extremely intense competition which will test the management effectiveness of U. S. business. It is going to take some very skillful planning indeed for business to take full advantage of the potentialities for growth and at the same time to avoid the pitfalls of a highly competitive and unstable environment.

We have, however, provided a sound and reliable basis for preventing periods of economic readjustments from being more than brief and moderate interludes in a long period of progress, achievement and prosperity. It is this factor which should dominate our Federal Government's economic program, for we are faced with an opportunity which must not be lost. We need, it seems to me, to plan for—

a steady diet of tax reduction so that the tax cost in finished product prices can be cut, personal savings increased, and business and private investment can be expanded.

sound monetary and banking policies which will hold increases in money supply to the amounts needed for non-inflationary expansion in our economy.

restraint in government expenditures, except during periods when depression is threatened, and a reduction in the areas of government intervention in private economic affairs through such means as guarantees, supports, subsidies or regulatory limitations, and

the persistent stimulation of private confidence, which is a far more potent expansionary force than public expenditure.

May I say in conclusion that the economic outlook is for much more economic growth, a great deal more economic instability and vastly more intense competition than is expected by most businessmen and economists.

*An address by Mr. Shields before the American Life Convention, Chicago, Ill., Oct. 8, 1954.

With Scherck, Richter Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—William F. Byrne is now with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange. Mr. Byrne was previously with Morfeld, Moss & Hartnett and prior thereto with R. Emmet Byrne & Co.

Cooperation Between The IBA and the NASA

By PAUL L. MULLANEY*
President, Mullaney, Wells & Company, Chicago
Chairman, IBA State Legislation Committee

Spokesman for Investment Bankers Association pleads for better acquaintance and closer cooperation with Securities Administrators through the National Association of Securities Administrators. Describes the organization and objectives of the IBA, and lays down a basis for full cooperation. Cites growing respect for and appreciation of investment bankers, as indicated by their employment in national and local government positions, and points out recent developments which form groundwork for still further cooperation between regulating agencies and the securities industry.

On reflection as to how I, the head of a medium-sized Midwestern underwriting and distributing firm, found himself in State Legislation work for the IBA, I can well recall a certain meeting in Chicago that occurred only a few years ago. This was a meeting of the Executive Committee of the Central States Group, one of the many Groups that go to make up the IBA. At this gathering, we discussed the then Blue-Sky Law in Illinois, and our question, at that time, was "What could we do to get it changed?". My suggestion was that we become better acquainted with the people charged with administering the Law—let them know us—see what kind of people we were and, in general, exchange ideas with them as to improving the regulations the investment business had to work under in the State of Illinois.

Paul L. Mullaney

It was not long after that I found myself made Chairman of the local State Legislation Committee of the IBA. Then, as part of the formula of getting acquainted, we asked Mr. Charles F. Carpentier, the Secretary of State in Illinois, and his able Blue-Sky administrator, Sam Young, to be the guests of honor at a luncheon meeting of The Bond Club of Chicago, the leading financial organization of that city.

*An address by Mr. Mullaney before the National Association of Securities Administrators, New York City, Sept. 28, 1954.

At this meeting Mr. Carpentier and Mr. Young had the opportunity to meet several of the prominent members of the investment banking fraternity in Chicago. These included several former presidents of the IBA as well as former National Chairmen of our self-regulatory organization, the National Association of Securities Dealers, and a number of our members who have distinguished themselves in civic matters in the city of Chicago. Both Mr. Carpentier and Mr. Young were introduced to the audience and were called upon to address the Club. I can well recall Mr. Carpentier's remarks when he said we were to have a new Blue-Sky Law in the State of Illinois, and all parties concerned would have an opportunity to have their say on its contents, but that no one group would write it. This is as it should be, I am certain all of us will agree.

We have a new Law on the books in Illinois now, and, while it is not perfect, nevertheless, we have been assured that our objections to the law, and suggestions for changes, will be heard, discussed and recommended for submission, if deemed feasible, by the office of the Secretary of State, to the Legislature for incorporation into the Statutes.

All of this is what I would call real cooperation between the administrators on the one hand and those to be regulated on the other. As Chairman of the State Legislation Committee of the Investment Bankers Association, my attention has been called to many other cases throughout the country of a relationship of cooperation between Blue-Sky administrators and our industry just as we have had it in Illinois. We hope it will continue as such.

The subject of my talk today is cooperation—as you know. No doubt many of you would like to know something more of the Association with whom you are asked to cooperate, and, for that reason, I am going to tell you a little about the Investment Bankers Association of America.

The IBA

The Investment Bankers Association is a voluntary association of investment banking firms located in all parts of the United States and Canada. It presently has about 800 member firms with over 1,100 registered branch offices. While the IBA has a paid staff, located in permanent quarters in Washington, D. C., its officers, President and others, are elected annually from representatives of the various member firms. For administrative purposes, the Association has divided this country and Canada geographically, into 18 Groups, and each of these Groups elects a number of Governors proportionately to represent them in the national organization. The total number on this Board is 47.

So much for the organizational set-up of the IBA whose membership includes most of the principal underwriting firms, many commercial banks as well as several sponsors of investment trusts. I think it is obvious why the closest cooperation is desirable between the IBA and the National Association of Securities Administrators, whose members administer the State laws regulating the sale of securities.

A review of some of the principal activities of the Investment Bankers Association since its organization in 1912 and of the National Association of Securities Administrators since its organization in 1918 shows close cooperation between both groups through the years. Representatives of the two Associations cooperated with the National Conference of Commissioners on Uniform State Laws in the preparation of the old Uniform State Sale of Securities Act in the 1920's; representatives of the two Associations worked together in the preparation of the uniform registration forms in the 1940's; and representatives of the two Associations are presently on the Advisory Committee for the Study of State Securities Regulation being conducted by the Harvard Law School.

Furthermore, to facilitate close cooperation between these two associations, NASA President Ofstedahl this year appointed, in the NASA, an "IBA Liaison Committee." Equally important with this general cooperation between the two associations has been the close cooperation by individual Commissioners, as I stated previously, in their respective states, with representatives of the IBA in solving problems under the laws of their particular states.

A Basis for Full Cooperation

Full cooperation between the IBA and the NASA can be effected only if there is sympathetic mutual understanding of certain basic facts. We in the investment banking industry recognize that there are a few marginal operators who engage in fraudulent activities in the sale of securities. We in the industry have a vital interest in seeing that such fraudulent promoters are punished because the activities of such promoters damage the reputation of our industry, make more difficult our job of distributing securities to provide equity and debt funds for American industry and they also create a demand for regulation.

On the other hand, it is imperative that securities commissioners recognize that most investment bankers conduct their business honestly, and that there is a high degree of self-discipline within the industry, not only through the NASD and the various stock exchanges, but also through the high ethical standards which are observed by most members of the investment banking industry. Two of the past presidents of your Association have described the situation succinctly and well. President Harold Johnson (of Nebraska) at the Portland Convention in 1948, after suggesting certain duties and responsibilities of the securities industry, stated:

"It is conceded that the above recommendations do not apply to 99% of the securities representatives. It is only to the few marginal operators that the message should be directed."

Similarly, President William King (of Virginia) at the Oklahoma City Convention in 1951, stated:

"True, we have our policing problems, but again my experience shows that those problems have been with the segment of people who are not really a part of the securities industry at all, but those who, from the very nature of the securities they offer, know in the beginning that an application to have them properly registered in a state would be fruitless."

In this connection, it occurred to me that the public respect and confidence for the integrity and ability of investment bankers are reflected in the number of investment bankers who, during recent years, under Democratic and Republican administrations, have served in administrative and diplomatic offices of the Federal Government. For example, to name only a few, Lewis L. Strauss (Chairman of the Atomic Energy Commission), Marion Folsom (Under Secretary of the Treasury), Thomas S. Gates, Jr. (Under Secretary of the Navy), Walter Robertson (Assistant Secretary of State for Far Eastern Affairs), Douglas C. Dillon (Ambassador to France), Clarence Adams (Securities and Exchange Commission), James Forrestal (former Secretary of Defense), William H. Draper (former Under Secretary of the Army), Robert A. Lovett (former Assistant Secretary of War for Air, Under Secretary of State and Deputy Secretary of Defense), Benjamin Butterweiser (U. S. Assistant High Commissioner for Germany), W. Averell Harriman (former Ambassador to Russia, Ambassador to Great Britain and Special Assistant to President Truman), and just within the past few weeks the announcement has been made that Mr. Albert Pratt has been appointed Assistant Navy Secretary for Personnel and Reserve Forces.

Similarly, if you will think about it a moment, I believe you will find that investment bankers are recognized as responsible, honest men of integrity in each of your local communities by delegating to them leadership in local civic and charitable organizations, the American Red Cross, the Community Funds and Chests, Better Business Bureaus, Y.M.C.A.'s and churches. However, perhaps this audience would be most impressed by the character of people in the investment banking business if I pointed out that several state securities commissioners have gone into the investment banking business, including Harold Bradford of West Virginia, Kirk Gunby of Florida, Jim Merkel of Ohio, Bob Brown of West Virginia and Bill King of Virginia.

Since regulation of the sale of securities, as any type of regulation, can reach a point where the small degree of protection to the public against the fradulent activities of a few fringe promoters does not justify the high degree of regulation imposed upon reputable dealers engaging in honest business, we believe that an ultimate objective of cooperation between the IBA and NASA should always be to obtain adoption of state securities acts, and the administration of those acts, in a manner which will protect the public against fraud in the sale of securities with a minimum of restraint on the conduct of legitimate business. I am happy to say that the IBA has received active assistance and cooperation toward this objective, particularly in recent years, from many individual state securities commissioners.

New Developments Point to Further Cooperation

Several recent developments open the way for still further cooperation toward this objective.

First, the Study of State Securities Regulation being conducted by the Harvard Law School should present an unprejudiced study of state regulation of the sale of securities and should provide suggestions for the accomplishment of our ultimate objective.

Secondly, the Federal Securities and Exchange Commission has been making heartening progress in simplifying Federal regulation of the sale of securities, both through amendments to the Federal Securities Act and through revision of forms and regulations of the Commission. Incidentally, I should like to commend the members of the Federal Securities and Exchange Commission and the members of the staff, some of whom are in attendance here, for the progress they have made.

One of the amendments to the Federal Securities Act adopted this year permits the making of *oral* offers to sell (and oral solicitations of offers to buy) securities and the distribution of a substantially expanded "Identifying Statement" or summary of the prospectus regarding those securities during the so-called "waiting period" (that is, after a registration statement for those securities has been filed under the Federal Act but prior to the effective date of registration). This amendment was made with the expressed purpose of permitting more widespread dissemination of information about securities to investors prior to the effective date of registration so as to give prospective investors more opportunity to consider and evaluate securities before contracting to buy such securities. Since the

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The New Look in Federal Taxation

By WALTER W. HELLER*
Professor of Economics,
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Professor Heller, noting the change in tax philosophy as it affects investment decisions, discusses the Tax Revision Act of 1954. Holds, in last 18 months, we have had nothing less than a revolution in Federal tax policy. Points out "incentive motive" in Eisenhower Administration's tax program, and discusses effects of taxation on volume and character of investment.

II

THE NEW TAX POLICY

A. The change in tax philosophy

What we have witnessed in the past 18 months adds up to nothing less than a revolution in Federal tax philosophy. The essence of this revolution, painted in pure black and white, was well put in an Associated Press dispatch of August 1, as follows:

Dr. Walter W. Heller

"That big tax bill completed by Congress this week marks a historic turning point in the Federal Government's attitude toward business. Boiled down, the bill represents a victory for those who hold the following economic philosophy: A prime way to make the whole nation more prosperous is to ease the tax burdens on business, to encourage it to start new ventures and expand old ones. That philosophy was not the dominant one in the 20 years of the New Deal and Fair Deal. The argument then was that the road toward prosperity lay in direct measures to put more purchasing power into the hands of the consumers."

In adopting the new philosophy, the Republican Administration and Congress have taken a huge but clearly calculated risk, both politically and economically. Consider first the risks at the polls next November. To the extent that the Democratic tax philosophy relied on consumer markets as the primary stimulus to economic activity, it meant treading lightly on the lower income groups where votes are to be found in the tens of millions. To the extent that the Republican philosophy seeks to preserve business initiative and incentive and stimulate investment, the bulk of the tax benefits involved in this process necessarily goes to the upper income groups where votes are counted in the tens or hundreds of thousands. To convert the latter approach into a political asset involves nothing less than convincing the proverbial "little fellow" that (a) he participates directly in a substantial share of tax reduction through such measures as working wife credits, medical expense allowances, excise tax cuts, and the like; (b) that he participates indirectly by improved job opportunities through higher levels of investment stimulated by tax concessions; (c) that he should identify his interests not with the lower or middle income group to which he does belong but with the higher income group to which he hopes and aspires to belong.

The calculated economic risk is even greater. Overstating it somewhat, one may describe the 1954 tax program as moving the government's bets off the square marked "consumer" and placing them on the square marked "investor." After years of high-level employment, income, and business activity side by side with high-level taxes bearing, at least relatively, more heavily on investment than consumption, the new policy will face a severe test. If the creation of a favorable environment for investment, by tax and other measures, proves effective in restoring full employment and putting us back on the track of rapid economic growth, it may change the shape of economic policy for decades to come. If it fails to do so, emphasis can be expected to shift back to the support of consumer markets by increased income tax exemptions, decreased excise taxes and the like, perhaps reinforced by stepped-up government programs in the field of school construction, river development, housing, highways, and terminal facilities.

Having said this, one hastens to add that the issues are probably not as sharply drawn in practice as they are in theory, and that the results of particular policies may be obscured by wars, either partial or total. No policy can, or will, emphasize investment to the exclusion of consumption nor vice versa. But the change has been so conscious and so great that the issue has been brought into sharp focus. And the public will be in the mood for no fine distinctions. Full employment and a rising standard of living will convince it that the policy has worked. A sidewise or downward movement will cause it to lose faith.

Before exploring further the general implications of this new tax philosophy, one is well advised to cite chapter and verse on the 1954 tax developments which give taxation its new look. Since the new look is most clearly reflected in the new law signed earlier this month, "The Internal Revenue Code of 1954," let us plunge directly into an examination of the nature and operation of key provisions of this law. From this examination of specfics, we can move to a review of the aggregate changes in tax revenue this year, and finally to an appraisal of the new tax philosophy.

B. Selected provisions of the new tax law

(1) *The dividends-received credit:* Nowhere is the solicitude for the welfare of the investor more evident than in the much-mooted dividend credit of the new law. When fully operative, the individual taxpayer will be allowed to exclude the first $50 of his dividend receipts and then credit 4% of the remainder of his dividends directly against his tax liability. This provision is designed both to stimulate equity investment and to relieve stockholders of part of the so-called double tax burden on their dividends. The provision will cost the Treasury about $200 million in the first year of its operation and $350 million annually thereafter.

How will these benefits be distributed among taxpayers? The latest Treasury figures in *Statistics of Income for 1951*, show that out of 42.6 million taxable returns, 3.5 million reported dividends. The amount reported totalled $5.8 billion. Of this amount, 10.9% was received by taxpayers with incomes below $5,000; another 14.6% was received by those between $5,000 and $10,000; and the remaining 74.5% was received by taxpayers with incomes over $10,000. So about three-quarters of the $350 million will go to taxpayers above $10,000 and about one-tenth to taxpayers with incomes of less than $5,000. Considering the relative number of votes in the two brackets, it clearly takes the courage of one's convictions to enact such a measure.

What are these convictions that have led to the easing of taxes on dividends? Although it is partly in the hope that the individual investor will provide a larger proportion of corporate financing than he has been in the past — over two-thirds of corporate investment needs in the postwar years have been financed from internal funds derived from retained profits, depreciation and other reserves—the main motivation has been relief from "discriminatory double taxation." Tackling this touchy subject of double taxation is like trying to disentangle a maze of high voltage wires barehanded. But since the issue will be a lively one for years to come, tackle it one must.

The first question one has to face is: who bears the burden of the corporation income tax? If the corporation successfully manages to sluff it off by charging higher prices for its products or paying lower wages to its employees, the corporate profits after tax are unimpaired, and no burden can be said to rest upon the stockholder. In other words, a corporation cannot legitimately claim that its tax is "costed" and passed along in higher prices of its products and at the same time maintain that there is a double tax on stockholders, one at the corporate level and another at the individual level.

In spite of the fact that many corporation executives claim that they pass the tax on to consumers, much of the tax undoubtedly stays put on the corporation. On the part that stays put, three major difficulties or inequities arise in taxing corporate profits that do not arise in taxing partnership or proprietorship profits. First is the familiar objection that dividends paid to taxable stockholders bear a double tax, while income earned by unincorporated businesses pays only the single tax at the individual level. Second, there is the objection that tax-exempt organizations and individuals whose incomes are too small to be taxed bear the full brunt of the corporation tax on their dividends though they would pay no tax at all if the income were earned by an unincorporated business. A third difficulty or inequity is that closely held corporations can be used by wealthy individuals to escape payment of personal income taxes (except in the form of capital gains taxes when they dispose of their interests in the corporation).

The "dividends-received credit" provided in the 1954 tax law makes a start on solving the first problem, but does nothing with respect to the second and third. Had the Treasury and Congress chosen a different method of alleviating double taxation, progress could have been made on all three fronts at once. Take, for example, the "withholding method." If part of the corporation tax were treated as a withheld tax and credited to the taxpayer like the tax withheld from wages and salaries, taxable dividend recipients would have had their double tax reduced, non-taxable ones would have had their double tax reduced, non-taxable ones would have received larger dividends, and undistributed earnings would have borne higher rates than those distributed as dividends. The same result could have been accomplished by a "dividends-paid credit" at the corporate level. By this device, a credit against the corporation's income tax is granted on that part of its earnings which it distributes in the form of dividends. This system also reduces double taxation, increases dividends to tax-exempt recipients, and differentiates the tax rate for distributed and undistributed earnings. Moreover, either of these two methods would have removed the same proportion of the corporate tax burden across the board, instead of removing only 5% of the impact of the corporate tax for first-bracket taxpayers while removing 40% for top-bracket taxpayers as the new dividend credit does.

While it is true that the benefits under the withholding method or the credit at the corporate level would have been less heavily concentrated in the upper income brackets than those under the credit now in force, this can hardly be called an objection. Possibly the mild overtones of the short-lived and bitterly controversial "undistributed profits tax" of the Roosevelt Administration played a part in the rejection of the two alternative methods. Perhaps it was thought incongruous to use either of these methods at the same time that the last vestige of the undistributed profits tax, namely the penalty tax on unreasonable accumulation of surplus, was just about being relegated to the dead letter file by shifting the burden of proof of "unreasonableness" from the taxpayer to the Treasury.

On behalf of the dividend credit, its proponents frequently cite its simplicity and the fact that Canada grants a credit of similar type, in fact, a very generous credit of 20%. Undoubtedly, the individual dividend credit is the simplest of the double tax relief methods. As to the Canadian "precedent," one finds that Canada couples its credit with a special surtax on investment income of individuals. Moreover, its choice of the type of double tax relief was strongly influenced by the fact that such a large proportion of stockholdings in Canadian corporations is held outside of Canada, especially in the United States. To limit the benefits to stockholders resident in Canada meant that it had to be granted in the form of a credit to the individual under the Canadian personal income tax, not a credit at the corporate level which would have been shared by non-resident stockholders. Since the proportion of non-residents' stockholdings in U. S. corporations is infinitesimal, the same consideration could hardly play a large role in the choice of methods for the United States.

The foregoing considerations are worth bearing in mind if and when moves are made to broaden the credit to something approaching the levels tentatively approved by the Ways and Means Committee last January when the credit began its legislative life, namely, a $100 exclusion and a 15% tax credit.

(2) *Accelerated depreciation:* A less controversial but perhaps even less well understood provision of the new tax bill—one of particular interest to the banking community—is the allowance of speedier tax write-offs of investments in machinery, equipment, and plant. This provision is by far the most expensive one of the entire tax revision bill, with an estimated net revenue loss of over $20 billion in the next 20 years. Although estimates as high as $40 billion have been made, I am using here the figures of the Congressional tax staff as contained in the Ways and Means Committee report on the tax bill (with a slight adjustment for the liberalization of the provisions in the Senate). A provision which costs the government that much

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*The second of two lectures by Prof. Heller at the School of Banking of the University of Wisconsin, sponsored by the Central States Conference of the American Bankers Association, Madison, Wis., Aug. 30 & 31, 1954.

Consumer Credit Impact on Production and Employment

By THEODORE J. KREPS*
Professor of Business Economics, Stanford University

Prof. Kreps discusses problem of consumer credit from the point of view, first, of the individual business firm; secondly, from the viewpoint of a particular industry, and, lastly, as an impact on the general economy. Finds production and employment increased by consumer credit for the individual firm and in particular industries, but presents diverse views as to its impact on the economy. Concludes, however, there are times when increases in consumer credit operates with leverage effect on the level of production, and increase the amplitude of "boom and bust."

The effects of consumer credit on production and employment are neither obvious nor simple. Some are direct, short-run, easily identifiable. Thus, for example the extra fillip given to sales by "liberalizing" credit terms has repeatedly attracted businessmen's attention. Other effects are indirect, long-run, hard to trace and virtually impossible to measure with accuracy. Such, for example is the impact of consumer credit on consumer buying habits, on consumer propensity to save, national income and employment.

Theodore J. Kreps

Naturally there are several camps of opinion. On the one hand there are those who are somewhat skeptical and hostile to consumer credit, e.g., the old-fashioned believers in the virtues of thrift. They feel that one should pull in his belt, save, and be able to put cash on the barrel-head, if he wants one of these new-fangled household appliances or is too lazy to walk or take a bus. In defiant array, on the other hand, are the optimists who want to enjoy today what need not be paid for until tomorrow or next month or next year. They are sure that soon their ship will come in with treasures for every one including the instalment collector. Besides, like Lady Bountiful, don't they make merchants happy, create employment, and strew prosperity all along their primrose path?

Amid such tangles of assertion and counter-assertion how can the scientific observer proceed with scientific caution toward the most probable truth? Lacking a geiger counter wherewith to detect exciting hidden evidence, the professor necessarily uses whatever satistics and other measurements come to hand, carefully notes the differences in assertion that can be explained by differences in viewpoint, and, if his audience will only permit him — then quietly tries to sit down leaving them suspended in mid-air about the whole matter. That procedure, while scholarly, is unfortunately highly unsatisfactory for those who demand snappy short-cuts to definite answers.

*An address by Prof. Kreps before the National Consumer Credit Conference for 1954, University of Southern California, Los Angeles, Cal., Oct. 7, 1954.

I

The problem of consumer credit, like most economic problems, can be analyzed from at least three points of view: (1) that of the individual business firm, (2) that of a particular industry, and (3) that of the economy.

(1) Consumer credit wisely granted generally increases the profits, production and employment of the dealer who extends it. Instalment sales financing not only gives him a faster turnover of his own capital but provides a capital structure leverage that enables him to reap more profits by larger trading on less equity.

Moreover, he keeps his customer closely tied to him. The merchant selling goods on time is virtually assured of repeat orders and continued patronage from those given credit. The cash customer is likely to be an independent competitive shopper following the lure of the best values in town. But, in keeping control of the entire transaction and giving customers complete service from delivery through insurance, the merchant creates buyer goodwill, relieves customers from the necessity of shopping elsewhere, and induces them to feel directly and indirectly under moral obligation to continue trading with him. He keeps in close if not personal touch with those who owe him money, particularly when the account becomes overdue. Customers bring their automobiles, appliances, or merchandise to him should servicing or repair be necessary. Thus he cements their preference for his product.

Furthermore, extending credit increases the productivity of his sales effort. Frequently every objection to a sale can be met by good advertising and superior salesmanship except one — the prospect does not have enough ready cash at the moment. If at that time the dealer can pull from his sales kit a hire-purchase or other credit plan dovetailed to the prospect's financial situation, he makes the sale. The ingenious devices which have played a large part in making this country a nation of car owners provide notable examples: fast credit approval procedures, coupon booklets for making payments, specific guarantees of refunds of unearned service charges on contracts paid off before maturity, payment plans for those with irregular incomes, property insurance, creditor group life insurance, hospitalization and accident insurance for the buyer through-out the duration of the instalment contract, etc.

Each of these activities requires the services of specialists, and provides opportunities for additional profit. Employment is necessarily increased as sales mount and services connected with sales are multiplied. To the profits on original sales are added those on financing, on insurance, on servicing, on repairs, on repeat orders, etc. In short, through wise extension of consumer credit the individual business enterpriser expands both his output and his employment.

(2) Consumer credit likewise increases the production and employment in particular industries. It widens the market for some products far beyond the limited confines of the income groups that happen to possess sufficient liquid assets to pay spot cash. According to a recent Federal Reserve Board survey, only 22% of the nation's spending units or centers of spending decision had $2,000 or over of liquid assets. Some 26% had no liquid assets whatsoever, 28% had less than $500, and 24% had between $500 and $2,000. The median holding—the guy in the middle—in other words Joe Doakes, the average spender —had only $350.

If by edict or by drastic change in business policy tightening or eliminating consumer credit, the sales of automobiles and consumer durables were limited to those who could lay cash on the line, the resultant temporary slump in employment and production in some industries would be catastrophic. How severe is hard to estimate. Suffice it to point out that in the year 1951 not far from two-thirds of all cars sold (63.6% of the new cars and 63.7% of the used cars) were purchased on instalment terms. Credit sales constituted more than one-half of the sales volume of furniture, household appliances and jewelry stores. In 1953 total consumer credit, $28.9 billion, was almost equal to total sales of all consumer durable goods, $29.7 billion. It was equal to one-eighth of all personal consumption expenditures. To produce the consumer goods sold on time required between four and five million man-years of employment. If without the services of consumer credit such goods had remained unsold, the number of jobless would undoubtedly have been increased, at least temporarily, by some such figure.

Furthermore, consumer credit tends to give the seller of consumer durables a more equal and fairer chance to compete with sellers of non-durables. The merchandiser of food enjoys an essentially non-postponable demand. He sells only a few dollars worth at a time. Now suppose he had to sell a six months' or year's supply at a lump. In that event he, too, would not be so firmly wedded to the cash-and-carry idea. The seller of automobiles, however, is trying to sell several months or years of service at one time—and does not have the internal ally of consumer hunger or urgent need to assist him in making the sale. By letting the customer pay a few dollars per month the merchant is given an equal chance to call the attention of the buyer to the merits of his wares—as compared with groceries or liquor.

(3) But granted that consumer credit raises the level of production and employment in particular branches of industry, is the general level increased also?

According to some, the answer is negative, except in those special cases where the possession of the article bought on time is instrumental and necessary to achieve an increase in income. There are no doubt numerous instances where the purchase of an automobile, for example, enables a worker to take a higher-paying job. But in the usual instance, so runs the argument, the mere process of borrowing does not in itself increase the borrower's income.

The major influence of credit then is to encourage the consumption of goods for the purchase of which credit is readily available and to discourage the consumption of other goods. What one pays the instalment collector is not available to buy food and clothing. Consumer buying power is diverted from one class of goods to another.

How wise such reapportionment of the family income may be is, of course, a matter of opinion. A new automobile in most instances costs about as much as the amount by which a father has to supplement a youngman's earnings to put him through a near-by State college or university. Through social pressure, abetted by high-power advertising there have unquestionably been instances where both the youth and his father made a choice which kept the boy from developing more fully those inborn productive capacities which would have benefitted both them and society for the next generation. By failing to invest in the development of human resources, all may be poorer.

Furthermore, say these conservatives, the total volume of goods a given amount of consumer income can buy is in no wise decreased when consumers do business strictly on a cash basis. Credit or no credit, all except the top 20% of the income-receivers spend on balance all they earn. On balance those in the lower 80% of the income brackets save nothing. In particular those who typically borrow most of the consumers' credit usually spend all they make. Business and government get all the income which the overwhelming proportion of consumer borrowers receive, credit or no credit.

For who are they? According to the Federal Reserve Board survey of last July (1954 Survey of Consumer Finances, The Financial Position and Commitments of Consumers, "Federal Reserve Bulletin," July, 1954), the largest proportion of spending units (58%) with total fixed claims on income exceeding 20% or more (such fixed claims represented housing payments and security payments in addition to instalment debt payments) were the professional and semi-professional group combining stability of income with medium (i.e., $3,000-$5,000) or moderately high income. Next on the list were the skilled and semi-skilled workers and clerical and sales personnel whose incomes were likewise somewhat above average (the median income in 1953 was $3,780) and relatively stable. The heaviest commitments were found among young married couples with children. Nearly a fifth of these had commitments that totaled at least 40% of income. They are typically young veterans on numerous and extensive suburban housing tracts.

Needless to say those with stable or relatively fixed incomes may be able to buy things sooner by utilizing consumer credit, but they cannot buy more than they would be able to buy for cash. How much sooner depends, of course, on the period for which credit is extended. According to the Federal Reserve Board survey, one-third of consumer debt was scheduled to be paid off in nine months.

Moreover, though buying sooner, the consumer has to pay more. The merchant has to be paid for the extra risk and the servicing expense. These vary from 10% to as much as 40% on the loan, when one includes the "pack" or extra charge with the interest rate actually paid on the average amount borrowed during the period of the loan.

If the consumer on fixed income had looked ahead nine months to a year, and compelled himself to save as much each month as he would otherwise have been compelled to pay the instalment collector, he might be ahead on several counts. He would have a reserve fund in the savings bank on which he would receive interest. Such a "nest-egg" might enable him to meet an unexpected emergency. He has the security and comfort of knowing it's there. Nine months or a year later he could buy the used automobile or appliance of his choice, and buy it for less. Often he can shop around for a bargain or make a better deal. Dealers are sometimes hungry for cash. Thus his income buys more real goods. The amount set aside from his income is less by the amount of interest and service charges, that is 10 to 40%. Once having purchased the article, it is his. No one can repossess it. His wife is spared arguments at the door with bill collectors. He can, if necessary, use the article for collateral in dire emergency. And by continuing to set aside from his income what the instalment collector would otherwise hound him to set aside, he can rebuild his rainy day fund for the next purchase.

In short, by buying for cash, so the argument runs, fixed and stable incomes go farther, put more goods and services in the home, in brief, increase production and employment.

The extent to which conservatives are baffled and uneasy about the steady growth of consumer credit was humorously illustrated by a recent item in the monthly "Newsletter" of the Valley National Bank of Phoenix, Ariz. It was reprinted by the U. S. Chamber of Commerce in its September issue of "Economic Intelligence," from which the following excerpts are quotes:

"Anything from a house to a safety pin can be purchased 'on the cuff.' You can arrange for deferred payments, partial payments, periodic payments, staggered payments, token payments or earnest payments (forerunner of stop payments). They are all described as 'easy' payments. The latest gimmick, called an open-end mortgage, provides for perpetual payments. If you pay off $100 at one end, it makes you eligible to borrow $1,000 at the other end.

This is not as silly as it sounds. Nothing could be. We have

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Social Legislation and Voluntary Insurance

By EUGENE M. THORE*
General Counsel, Life Insurance Association of America

Noting the continued trend toward expanding social legislation, spokesman for life insurance companies comments on recent social legislation by Congress, including Congressional proposals for health insurance. In answering the question whether current trends will discourage people from patronizing voluntary insurance, concludes, voluntary insurance, though caught between opposing forces, will survive, "because it is both idealistic and realistic."

The trend of the past two decades toward expanding social legislation continues. Opposition to this trend appears to be declining. In the area of individual security, neither major political party actively opposes the direction in which we are going. Most people do not seem to think that more welfare means we are becoming socialistic. Many people believe in free enterprise, but when it comes to individual security they seem willing to amend the traditional concept of individual responsibility. What is the explanation of this trend in public attitude? Are we as a nation playing a risky game or are we making social progress? These questions are important to a business like life insurance, which is concerned with providing security for individuals.

Eugene M. Thore

Will voluntary insurance eventually cease to be the force in our economy that it is today? Or will it increase in usefulness and popularity? Questions like these are hard to answer because the future is uncertain. But I feel that despite the dangers, the movement we are witnessing will not destroy voluntary insurance nor will it seriously upset our economy.

First, I would like to suggest that trends in social welfare can be explained in terms of the American doctrine of progress—the belief that we as a people are dedicated to improvement—the idea that novelty is the means through which improvements in our society are achieved. This doctrine of progress has been a vital force in developing our economy. It is concerned with closing the gap between what is and what ought to be. Our unparalleled voluntary insurance system is one of its products. Lately, however, the doctrine of progress has also become a political philosophy. Its application in the political field is responsible in a measure for the steady growth and expansion of our Federal Government. This expansion has now developed such proportions that private business is feeling the impact of extended government activity. Our dedication to progress, which has been the moving force in developing our commerce and industry, now is influencing political policy.

The pursuit of progress in the political field involves investigation of social needs, the development of new social programs to serve needs and the discovery through trial and error of that which is good for society. This belief that government should experiment to benefit society is relatively new but it is gradually taking hold. It distinguishes us from our ancestors who were not so concerned with security. It challenges the status quo. It accounts for the constant pressure for improvement through political action. Its application means expanding governmental functions and a corresponding increase in the cost of government.

Although we are witnessing increasing support for this new political concept, there are two leading viewpoints on what government should do to improve society. These viewpoints agree in several respects. For example, both recognize that there should be economic expansion to keep up with our growing population. They agree that government has some duty to assure such an expansion. Both are concerned with the political consequences of economic contraction.

Beyond these points of agreement we find differences as to the proper role of government in expanding our economy. One side holds that government must force expansion, because private enterprise cannot be expected or trusted to do that which is best for the economy. The underlying theory is that government should endeavor to promote a perpetual boom. This viewpoint argues that the private system left to itself would not create a stable type of economic expansion. There would be peaks and deep valleys.

The opposing viewpoint is that private business is capable of expanding our economy to meet the needs of the future. It conceives government's role to be limited to the stimulation and encouragement of business generally. Direct interference and too much regulation should be kept to a minimum. Specifically, government would take steps to encourage new investment in business, the development of new businesses and new commercial facilities. Business would also be stimulated through the creation of an atmosphere of friendliness on the part of government.

Fundamentally, these competing philosophies disagree on the role government should play in its relationship to business. One side contends that government action is the key to economic expansion; the other that healthy expansion will develop through the efforts of private business aided and stimulated by government.

This clash over government's role in the field of business is not paralleled in the case of individuals. Both sides seem to favor government's direct assistance to the individual in establishing and maintaining economic security. They regard individual stability as the basis for any sound economy and are therefore willing to have government assume some direct responsibility for the security and welfare of individuals. Consequently we are witnessing a gradual expansion of individual welfare legislation. Of particular concern is the tendency to minimize the long-range and cumulative consequences of the extensive future commitments to individuals which government has already made.

Already we have programs covering housing, the needs of the aged, of widows and orphans, the unemployed, and currently more attention is being given to the sick and disabled. There is disagreement as to the extent government should go in helping individuals through these programs but there is increasing support for the general objectives of the programs. This trend toward liberality in the field of social benefits was amply demonstrated during the last session of Congress. A review of the legislative record shows that there was general agreement on most of the social welfare legislation that was enacted.

Opponents of this trend in social legislation contend that Federal welfare programs threaten our economy. Their warnings are reechoed whenever changes in Social Security are under consideration. To many, this threat is more serious today than it has ever been. Others feel, however, that social legislation has not gotten out of hand and to date has produced neither social nor serious economic hazards. They also feel that the fabric of society has been strengthened by these programs.

A careful analysis of legislative developments in the last session of Congress will demonstate, I believe, that the trends I have described dominated most legislative decisions. It was an extremely active legislative year. The 83rd Congress enacted more legislation than any Congress in recent years. It is not possible, of course, to review the legislative record in detail here. Comments on examples of social legislation which were of particular interest to the insurance business should serve to illustrate that the trend in welfare legislation did not change its course this year under the new administration of our government.

Social Security

The following changes in the Social Security Act this year were generally supported by our business:

(1) The extension of coverage to 6.3 million more persons on a compulsory basis. 3.8 million persons were made eligible on an elective basis. At this time nine out of 10 civilian jobs are eligible for coverage. It has been our view that Social Security coverage should be universal. The changes this year represented a large step in that direction.

(2) A liberalization in the method of computing benefits. The new law provides that the lowest years of earnings or no earnings (not to exceed five such years) will be eliminated in computing benefits. This takes care of periods of unemployment and temporary illness and seems to be a fair and equitable change in the benefit formula.

(3) Improvements in the retirement test. There were inequities in the old retirement test, particularly in the case of wage earners. The new law permits both employed or self-employed persons to earn up to $1,200 a year before any reduction is made in their social security benefits. The change removed one of the arguments for complete elimination of the work clause. It represented an improvement in the test. We supported it in principle.

The following changes in the Act were in conflict with conclusions adopted by the life insurance company associations after a careful study and reappraisal of the Social Security system.

(1) The change in the tax and benefit formula base from $3,600 to $4,200 was opposed for the following reasons:

(a) It departed from the basic floor of protection principle which had been widely accepted from the inception of the Act. Under this principle, benefits under the act should not provide more than a floor of compulsory security.

Workers are expected voluntarily to build their security on the floor of social benefits.

(b) It discriminated against the average wage earner in favor of the above average wage earner.

(c) The change was unessential to the sound financing of the system.

(2) Increases in retirement and survivorship benefits were opposed because we felt that the level of benefits under existing law were adequate and consistent with the basic floor of protection principle. There had been no cost of living increase since the last adjustment in benefits in 1952.

(3) A new provision designed to preserve the benefit expectancies of disabled persons was opposed because we thought that the problem of disabled persons could be taken care of in a more practical way, without the necessit for setting up state and Federal machinery to adjudicate disability claims. Once such a system is established, as it will be under the new law, there will be pressure for the adoption of a program of cash disability benefits. It has long been our view that cash disability benefits should not be provided as a matter of right under a Government-run security system.

Opposition to the change in the wage base, liberalization of the benefit formula and the new disability provision was vigorously presented to Congress. There was a substantial opposition vote in the Ways and Means Committee in the case of the increase in the wage base, but all three changes were adopted by almost unanimous votes of the House and the Senate. This illustrates, I believe, general public support of the Social Security program.

Congress felt that the raising of Social Security benefit levels was not far out of line with the floor of protection theory. We contended that if the floor of protection adopted by Congress in 1952 was adequate, in the absence of an increase in living costs, benefits should not be raised again in 1954. But it is possible to rationalize such a change by adopting a more liberal view of what constitutes a floor of protective benefits. The action of Congress could mean that after further consideration, they thought the levels established in 1952 did not represent a fair application of the floor principle. Since this principle cannot be precisely defined, there is bound to be some latitude in fixing benefit levels. Undoubtedly, Congress took this broad view.

Change in the wage base involved more fundamental considerations. The wage base which affects both revenue and benefit levels has never been tied to any fixed principle. However, the level of the wage base affects benefits and consequently the floor of protection principle must

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*An address by Mr. Thore before the 68th Annual Meeting of the National Fraternal Congress of America, Atlantic City, N. J., Sept. 30, 1954.

Municipal Bond Club of Philadelphia Annual Outing

AT THE HEAD TABLE at the dinner following Annual Outing of the Municipal Bond Club of Philadelphia. (Left to right) James T. Gies, of Smith, Barney & Co., President, Philadelphia Securities Association; Leighton H. McIlvaine, of Goldman, Sachs & Co., Vice-President and Russell M. Ergood, Jr., of Stroud & Co., Inc., President, Municipal Bond Club; Edgar A. Christian, of Stroud & Co., Inc., President, Investment Traders Association of Philadelphia.

WINNING PHILADELPHIA GOLF TEAM at the Annual Outing of the Municipal Bond Club of Philadelphia. (Left to right) Francis H. Bohlen, Jr., of Saul, Ewing, Remick & Saul, attorneys; Freeman G. Grant, of Thackara, Grant & Co.; Walter A. Schmidt, of Schmidt, Poole, Roberts and Parke; Russell C. Schuler, First Boston Corp.

THE MARKET . . . AND YOU

By WALLACE STREETE

The sections of the stock market that weren't merely showing a tired look had some definite trouble this week, notably the tobacco issues that had to bear the brunt of some more medical reports. The combination of these repeated reports on lung cancer, plus a mid-year dip in cigarette consumption, have frozen the tobacco issues pretty well out of the bull market this year.

American Tobacco, for example, not only shows a loss on the year so far but, in addition, lost ground last year as well. The best price it reached this year was well below the peaks of either 1953 or 1952. Liggett & Myers has been even more harshly handled. The lowest price recorded for the issue in any year save one in a score of years was among this year's dour accomplishments. It, too, shows a minus on the year so far.

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Ward Ahead of the Market

A reverse story is that of Montgomery Ward. Helped by a budding proxy fight to change control of the company, the issue has had enough popularity to do better than the market despite general irregularity. Some of the persistent strength was explained when the insurgent group reported that it had bought 14,100 of the initial session's 18,700 shares traded, better than three-fourths of the day's transactions. Pricewise the stock about equalled its 1951 best to make it the best reading in eight years although still some 25 points under the 100-plus attained in 1946. In half the years since it has sold under 50, making it until now one of the "depressed" stocks around.

* * *

New York Dock Co., a small issue with a rather thin floating supply, provided what fireworks there were on the strong side. Under persistent demand a dozen purchases were able to make the price scoot up as many points to an all-time high just short of the par line. At the peak it represented a price improvement on the year of around 50%.

* * *

Coca-Cola was something of a surprise in sliding to a new low for the year; this occurring so quietly that the statistical services were a bit late in spotting the movement. This issue is another that belies the current upswing. It normally springs into favor with the hot weather season. This year it not only failed to achieve any historic highs, but even failed by a considerable margin to equal its highs from 1944 to 1951. At this week's levels it was within a couple of points of last year's low and far closer to the poorest price reached this decade.

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Recent Favorites Lag

For the recently popular issues—the steels, aircrafts and oils—the week was at best a consolidating phase and at worst an end to the bull run. Even the usually slow-moving U. S. Steel was able to show a minus of as much as a point during a session. Bethlehem, under the weight of its troubles over the Youngstown Sheet merger, was somewhat heavier but with more excuse. The non-ferrous metals reacted a bit more violently at times but Kennecott Copper, for one, showed good recuperative powers at most times.

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Among the aircrafts, the newcomer, Rohr, which was able to carve out a 10-point swing in its first week of listed trading, calmed down sufficiently to stay within bounds. The other airframe makers largely backed and filled. General Dynamics, about which such high hopes over splits, increased payments, etc., were once held, was inclined to back up a bit more willingly than the rest.

* * *

Royal Dutch, despite considerable irregularity in the petroleum section, continued to outperform its group and it was something of a regular in the daily lists of new highs. In the holiday session, when easiness was rampant, Royal Dutch was one of the chief items of support to stem the decline and pushed to another new high on a gain that ran around several points at best.

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No Picnic for Chemicals

Chemicals had no picnic, which is a continuing story now. Du Pont, Allied chemical and Monsanto backed up somewhat abruptly on the least sign of pressure and Allied, in particular, shows a sizable trim from its peak of the year.

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The electrical issues contributed little in the way of optimism. McGraw Electric, which had raced to new high territory last week before reacting, made an unsuccessful attempt to scale the peak, but then backed away rather rapidly to chill the division a bit. Tung-Sol Electric, after a brief spell in the limelight as a one-day wonder with an opening block of 17,000 shares put together, eased off in a rush and disappeared from the spotlight. Some recently exhumed tales about its rather long experimentation with electronic ignition systems for autos fell apart when the company formally indicated that little of a practical nature had come of the work and nothing was imminent.

* * *

There was some timid bidding for the auto shares as reports about the new models started coming along. None of it came to much, however, as investors generally waited on something more concrete, such as consumer acceptance and advance orders, rather than the optimistic statements of the auto tycoons.

* * *

A general air of caution was clearly apparent in investment circles, both because of the technical action of the various market components and because of uncertainties over the rapidly approaching elections.

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Rails Technically Disappointing

The technicians, as they have been so many times before, were disappointed that the rails failed to come to life even though the lag in carloadings over last year's levels has been whittled appreciably in recent weeks. Some sizable daily movements in the individual rails, including losses of as much as a couple of points per session in Coast Line and fair occasional gains running a point or so in Illinois Central, were written off as largely meaningless. On average the rails continue to loll a handful of points behind the year's best level now two months away, in distinct contrast to the industrials which only reacted this week from a new high posted just a week ago.

* * *

Utilities which accompanied the industrial average up the long slope recently were also somewhat laggard. They, too, failed to best their August peak but it was by only a matter of pennies. For a change, some of the utility shares were prominent in other than minor fractional daily moves. Northern Natural Gas' sudden dip that ran past two points before support was met and an even wider decline in People's Gas on a couple of sales aren't movements normally expected in the staid end of the list.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Freeman, Frank & Haag Formed in New York

Freeman, Frank & Haag, Inc. has been formed with offices at 51 East 42nd Street, New York City, to engage in a general investment business. Officers are Freeman Koo, Frank Ragonetti, and Robert Haag. Mr. Koo, the son of Ambassador V. K. Wellington Koo, was formerly with Smith, Barney & Co., Colonial Trust Company, and Trieu Yueu Industrial Corporation in Hong Kong. Mr. Ragonetti was with Harris, Upham & Co.

Freeman Koo to Speak Before Education Group

Freeman Koo, head of Freeman, Frank & Haag, Inc., New York City, will be guest speaker at the investment course being given at Washington Junior High School, Mount Vernon, N. Y., at 7:30 p.m. Thursday, Oct. 4.

Mr. Koo, son of Ambassador V.K. Wellington Koo, is a *magna cum laude* graduate of Harvard and received his master's degree from Columbia. Prior to forming his own firm he was with Smith, Barney & Co., Colonial Trust Co. and Trieu Yueu Industrial Corp.

The regular instructor for the course is Frank E. Ragonetti, also an officer of Freeman, Frank & Haag, Inc.

Joins Bingham, Sheldon

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Victor O. Langen is now connected with Bingham, Sheldon & Co., 735 North Water Street. He was previously with Cruttenden & Co.

Germany and Convertibility

By PAUL EINZIG

Dr. Einzig, referring to British policy of delaying convertibility of sterling, and the declaration of the German Minister of Economic Affairs that Germany is now striving for currency convertibility, holds it is not likely that the latter country will be able to achieve convertibility in advance of Britain.

Dr. Paul Einzig

LONDON, Eng.—Now that Mr. Butler has made it quite clear that for the present a restoration of sterling's convertibility is out of the question, much attention is focused on the attitude of Western Germany towards convertibility. It will be remembered that, when some months ago Mr. Butler paid a visit to Bonn, it was agreed that Britain and Western Germany would proceed together on the road to convertibility. Soon after that meeting, Dr. Erhard, the German Federal Minister for Economic Affairs, made somewhat premature public statements foreshadowing a return to convertibility in the near future. This implied that Britain as well as Germany intended to take that step shortly. It is now evident, however, that, while convertibility remains the ultimate end of Mr. Butler's policy, it is not likely to be achieved until after the British general election in 1955 or 1956, and especially until after the United States have liberalized their foreign trade policy.

Following on Mr. Butler's recent statements, anxiety about the possibility that Germany might forestall Britain in restoring convertibility found expression in the British Press. It is known that Dr. Erhard and his colleagues in the Western German Government are indeed burning with impatience to restore the convertibility of their currency, and that the technical position of the mark has indeed strengthened considerably in recent months. The Western German gold reserve has now risen to some $2,500 million, which is only some $300 million short of the Sterling Area gold reserve. In the opinion of many experts the amount leaves a fair safety margin above probable immediate requirements, so that there must be a strong temptation for Germany to take steps to restore convertibility.

At a Press Conference in Washington on Sept. 30, Dr. Erhard declared that Germany would continue to strive for currency convertibility, but "within the pattern of European solidarity." He added: "We do not intend in any respect to embark on a risky venture of our own." On the face of it, this disposes of hopes or fears—whichever may be the case—that Germany would restore convertibility in the near future independently of Britain's attitude. But in answer to questions Dr. Erhard asserted that Germany would be moving step by step until the distance to convertibility was no more than the thickness of a sheet of paper. This of course is also Britain's intention, and the only question is whether such a progress towards *de facto* convertibility will be faster in Germany than in Britain.

There is no doubt that in some ways it would be easier for Germany to restore convertibility than for Britain. Germany's balance of payments is more favorable. Owing to the existence of unemployment she is in a better position to resist wages claims that would price her exports out of the foreign markets. The gold reserve of $2,500 million gives Germany a much bigger safety margin than does the reserve of $2,800 million for Britain and the Sterling Area. Above all, Germany is in a better position than the Sterling Area to resist large-scale attempts to dump exports on her markets for the sake of securing convertible currency. Moreover, while Britain has to cope with large amounts of existing sterling balances, foreign holdings of mark balances are relatively small.

Beyond doubt, it would greatly increase Germany's prestige if she were able to forestall Britain in the restoration of convertibility. As it is, her success of restoring economic stability and prosperity has earned the admiration of the free world. The increase of German production figures and the improvement of the balance of payments are indeed impressive. To be first in restoring convertibility would constitute a considerable moral victory. The material advantages involved would be, however, less substantial than in the case of Britain. One of the great advantages of the convertibility of sterling would be that it would materially strengthen London's position as a world financial and commercial centre. The additional invisible exports represented by Britain's earnings from those functions would represent a valuable support to the British balance of payments. Western Germany, on the other hand, cannot reasonably hope to assume the functions of a financial and commercial centre. The proximity of the Iron Curtain would make it unlikely that foreign reserves would be accumulated in marks except quite temporarily. And geographically Germany is not in a favorable position to act as a commercial centre.

Above all, German exports would be gravely handicapped by a unilateral convertibility of the mark. Many Governments, anxious to secure a surplus on the trade of their countries with Germany for the sake of converting the proceeds into dollars, would do their utmost to reduce the import of German goods. They would think twice before allotting Government contracts to German firms, and would also discourage the import of German goods also by private interests. This is the argument which, more than any other, has been used in Britain against a unilateral convertibility of sterling. And this is the consideration for which Dr. Erhard is likely to prefer to restrain his impatience and wait 'til Mr. Butler is also ready to proceed with convertibility.

From a point of view of British prestige, a restoration of the convertibility of the mark before sterling could be made convertible would be undoubtedly a heavy blow. But those inspired by realism would welcome such a step, for it would greatly assist British export trade in face of the growing German competition. Even though considerations of prestige cannot be disregarded altogether, they are likely to be more than offset by practical considerations. This is the reason why it would serve no purpose if Dr. Erhard tried to force Mr. Butler's hand by threatening to restore convertibility independently of any British action. In many British quarters such a step would be welcomed with relief, even if it would cause consternation in other British quarters.

The delay caused by Mr. Butler's decision not to proceed until some progress has been made towards a liberalization of American trade may enable other European countries besides Britain and Germany to make their preparations for returning to convertibility. As things are the restoration of the convertibility of sterling and the mark, together with the Belgian franc, the Dutch guilder and one or two other Western European currencies, would constitute a retrograde step from the point of view of Western European economic unity. For neither France nor Italy are as yet ready to take that step. Both countries, especially the former, will have to make considerable progress before they could embark on convertibility. It does not seem to be unreasonable to hope that, within two to three years, they will be able to make the necessary adjustments, so that they will be able to proceed in solidarity with the rest of Western Europe. For that reason alone, it would be well worth while for Britain and Germany to wait.

LETTER TO THE EDITOR:

A Plea for Free Exchange

J. F. Eggleston, British economist and lecturer to the City of London Society, Ltd., holds, if exchange controls were suspended any night, the market would swiftly handle the situation the following day.

Editor, Commercial and Financial Chronicle:

The "Times" has rendered a service by publishing a book entitled "The Dollar Gap." It contains six special articles and a controversial series of Letters to the Editor. That it is five years old matters little—the problem is still with us.

For us in the City of London, at the heart of Foreign Exchange Market, the series shows that 99.9% of the writers have no idea whatsoever of the functioning of a free foreign exchange market and its implications. In the City of London, we know that the whole stupidity of Exchange Control could and should be suspended at midnight any night—and the Market would swiftly handle the situation the following day—and for the next thousand years and a day — if only the government will stop interfering with the buying, selling and negotiation of its own paper currency. Convertibility is permissive, not executive. Interference with currency by governments has been going on fairly steadily since the days of Solon of Athens, and Gresham's Law has operated since then. But Keynes forgot about Gresham's Law and the result has been shattering.

Viscount Elibank starts the ball rolling. He ascribes great things to the Ottawa Conference as having set the world on its legs again. We, of the City of London, said that Ottawa would set off a second Great World War, and many Liberal M. P.'s resigned. Viscount Elibank said that it "improved European and World trade as a whole." Whether it improved it or not, we know that it did not increase it.

He then touches on the gold problem. Let us appreciate that once gold is snaffled by the Central Banks, it leaves circulation forever, and is, in fact, no longer "Money". It becomes a controlled commodity. Until it becomes a commodity freely dealt with in a number of countries, its price in paper will be little guide to the value of the paper money. But there is a firm currency law: that that which goes cheapest to the Mint becomes "Money" while that which goes dearer becomes a "merchandise."

As gold now is almost entirely controlled by Central Banks, and never comes into the pockets of ordinary people it ceases to affect the Sterling-Dollar problem: which resolves itself into two inconvertible paper currencies represented by units of account in the banking books of both countries.

Monetary technique would decree that they should meet each other on a level uncontrolled market. Unfortunately the British Government chose to sign the Bretton Woods Agreement and outlawed the free market. Until that is restored to grace, Sterling is overvalued vis-a-vis the dollar, and the dollar gap will continue. All other facts are ancillary to this main pillar of foreign exchange technique — a technique hardly appreciated by the unpractical journalists and academicians who write their screeds on monetary matters, knowledge of which they have only a smattering.

Then the Deputy Keeper of the Coins of the University of Oxford trots out with the statement that sterling was not linked to gold, but to silver for one thousand years. Nevertheless it is obvious that from about 1720 we were on a gold basis, and we have that remarkable book "The Mint" by Sir John Craig to discuss the technical details. He is, however, right in thinking that from 1925-31 we were not on a true gold standard. It was a Gold Bullion Standard in which the gold coin did not reach the pockets of the ordinary people. In that it was doomed to failure. He says that it is useless to discuss figures of world production of gold and its cost in the absence of any details from the Soviet Union. We point out, however, that gold had a pretty good market for some 3,000 years without any statistical details at all.

The letter of Mr. E. Beddington Behrens contains a sentence which is in marked contrast to the theoretical and almost always fallacious notions of most of the other writers. With this we will terminate, and express agreement:

"If the pound is devalued, it should be free to find its own level. This will eventually enable it to rise as well as to fall, reflecting the disciplined earnestness of our people and the economic sacrifices they have endured during the last five years."

But Sir Stafford Cripps refused this excellent advice, and when I heard on the radio of the adoption of a second figure of $2.80 I could scarcely restrain a most impolite remark on the almost unbelievable folly of those who were turning the erstwhile best currency in the world to a stamping ground for political chicanery and technical stupidity.

Yours faithfully,

J. F. EGGLESTON

Lecturer to the City of London Society Limited.

16 Parkfield Crescent,
Harrow, England

Strength and Weakness in France

By EDGAR FAURE*

French Minister of Finance and Governor for France of World Bank

French finance chief, after pointing out his country's elements of recovery, cites remaining difficulties, including budgetary deficit, imbalance of payments and inadequate currency reserves. Contends American tariff policy serves as a block to convertibility.

France has had a very close relationship with the World Bank and Monetary Fund since their inception, and I recall with great pleasure that my country received the first loan granted by the Bank at a time, immediately after the war, when such a loan represented an invaluable contribution to the reconstruction of our economy. Under the eminent leadership of Mr. Black and Mr. Rooth, the Bank and the Fund, each in its field, are making notable achievements to the benefit of all member countries; in so doing, they are already obtaining substantial results in international trade; such progress leads us to hope that we will some day be able to take the last step on the long road that we are all endeavoring to travel together toward as complete freedom of trade and payments as possible throughout the whole free world.

Edgar Faure

However, as the Managing Director of the Fund very rightly stressed in his opening address, any new progress to be made in international economic relations depends primarily upon the individual action of each country, its own efforts to develop its production, insure full employment, maintain internal financial stability and preserve the equilibrium of its balance of payments. That is why I feel it appropriate to say a few words about the present situation of my country, where very clear signs of improvement are beginning to appear, though some important difficulties still remain. Then I shall state our views on the major international problems that have been raised during this meeting.

Progress is now being made in France, where economic activity during 1952 and 1953 was relatively stagnant, at the same time as most other European countries were experiencing continuous expansion. Industrial production of both capital and consumer goods is again expanding. Along with enterprises which are too outmoded or too small, France now possesses powerful industrial units with up-to-date equipment. This trend toward modernization, which was at the start largely helped by generous aid from the United States Government, is now extending to various branches of our economy.

Agriculture, still hampered by relatively archaic methods in certain regions, has, however, started on the road to modernization and is providing increased production each year. In spite of unfavorable weather conditions this year, France has had excellent harvests, a substantial part of which can and must be exported.

Construction encouraged by the government is beginning to make up for the lag of past decades. In the last 30 years, nothing in this field has equalled the programs now under execution.

Unemployment is practically nonexistent. France is indeed one of the countries where full employment has been most assured for several years.

At the same time Metropolitan France is exerting a tremendous effort to foster production in its large overseas territories and thereby improve again the standard of living of the populations for which it is responsible. Each year it provides in the most varied forms an over-all contribution of more than 200 billion francs, equivalent to $600 million, the largest part of which is provided by direct appropriation from the Metropolitan budget. Thus in fulfilling the fundamental duty of assisting underdeveloped countries, France is playing a considerable role, the importance of which I think it only fair to stress.

In spite of the resulting burden on national production, foreign trade is also making progress. Since the beginning of this year, exports have notably increased, thanks partly—it is only fair to admit—to the liberal attitude of our principal partners, but also to the active perseverance of businessmen and encouragement from public authorities. The deficit is still large but is being progressively reduced.

In spite of frequently expressed fears, it is gratifying to record that economic expansion has not led to inflation.

For more than two years prices have been stable and have even tended to decline. Thus the discrepancy between domestic and foreign prices, though it remains much too large and varying according to various types of goods, has notably decreased. Wages are no longer subject to general waves of increases, which have proved as disastrous for the country as they have been illusory for the working class. In many industries, however, due to increased production, spontaneous adjustments have taken place without social conflict; the over-all purchasing power of the working class has increased approximately 6 to 7% in the last 18 months through the combined effect of these adjustments and the increase in the number of working hours. The lowest wage scales have been raised, under governmental initiative; and over-all real wages have notably improved.

Budgetary deficit remains one of the main governmental preoccupations and the government to which I belong intends to make full use of the special powers granted to it in order to reduce this deficit as much as possible. I might mention here that the deficit from current operations is only half of the over-all deficit, since public expenditures include the cost of a substantial part of investments made in Metropolitan France and Overseas Territories by the State and the nationalized enterprises which finally are covered by loan funds.

Moreover, the cash situation gives no cause for concern. One of the most obvious signs of national recovery is the resumption of savings, not only in deposits in savings banks or bond purchases, but also long-term investments. The resumption of activity on the financial market, after a long period of stagnation, is significant whereas the gold market is showing a pronounced decline. Encouraged by several years of monetary stability, the French people are returning to their traditional eagerness for saving. They no longer merely save or hoard, but are again investing, thus easing the Treasury's situation and allowing private initiative more easily to meet equipment needs.

I have already mentioned the improvement of our foreign trade. It cannot be denied that our balance of payments has not yet reached a normal and durable equilibrium. Without the aid of the Government of the United States, especially related to war in Indochina, and without the important receipts accruing from "off-shore" contracts and from other military or strategic allied expenditures, the balance vis-a-vis the dollar area would still show a large deficit. Our trade with the sterling area remains also in substantial deficit. However, the deficit shows a tendency to decline and the exceptional receipts which I just mentioned have allowed our gold and convertible currency reserves to increase slowly but continuously.

We have thought that the best policy, both the soundest for our country and the most appropriate for other countries and international institutions which have helped us recently, was to use the largest part of the available sums for voluntary debt reimbursement. We repaid a number of foreign credits before they fell due, repurchased part of the French franc holdings of the International Monetary Fund, and made large amortization payments on the debts we have contracted vis-a-vis the European Payments Union. We are thus able to free ourselves of all short-term foreign currency commitments.

I apologize for having spoken too long, gentlemen, but I thought fit, in a spirit of cooperation toward your institutions, to give you a precise picture of our present situation. I do not think this picture is over-optimistic. I know that you attach great importance to the economic recovery of my country and I think I can say this recovery is on the way. I am not unaware of the fundamental problems the solution of which has barely been outlined: the budget deficit and the balance of payments deficit. Nor do I forget, and indeed stress with great pleasure that, while France was improving her situation, most of our European friends were also attaining similar or even better results, when in the meantime, after a short pause, the United States economy regained its highest level of activity, due both to the work and faith of the citizens of the United States and to the wise action of their government.

It is because such progress has been realized in most countries of the free world that it seems possible, without undue temerity, to go on with the most interesting search for the most appropriate methods of establishing a wider and freer system of multilateral trade payments.

It is in conformity with the aims of the International Monetary Fund to recall that such a system is the only one which can afford to all countries the benefits of the international division of labor as well as enforce the disciplines without which no country could enjoy lasting prosperity. I am therefore glad to concur in the general remarks submitted by Mr. Ivar Rooth in this respect and I am glad to confirm that France does not contemplate keeping apart from the efforts which aim, under the name of convertibility, to provide in the free world a much closer cooperation than is known at present.

At the same time, I feel it necessary to mention the first findings that came from the studies undertaken on the initiative of our British friends; last July in London, it appears to me, they arrived at an agreement on a number of essential points such as the methods to be used, the goals to be reached and the preliminary conditions required for the success of our enterprise.

As regards the methods to be used, we feel it to be of vital interest that the European nations should not act without coordination, that they try to agree in advance and act in concert, maybe not exactly with the same timing or along identical lines, but at least by moving in the same direction and applying the same principles.

This action should not only be a collective one, it should also proceed in orderly fashion, taking all the precautions and guarantees needed for complete success in the fields both of international trade and currency. What is at stake, indeed, is not fundamentally to achieve a monetary reform, but to promote a new liberalization and a new expansion in international trade. We also consider it particularly important to maintain the cooperation which has been achieved with obvious success in the framework of O.E.E.C. and E.P.U.; we cannot imagine that the results obtained in that field with the cooperation of the United States and Canadian Governments could be in any way imperiled.

Such are the methods and the aim. As regards basic requirements, they have been so often stressed, particularly, and with great talent, by my British colleague, and they seem to me so obvious that I wonder if it is necessary to emphasize them again.

Difficulties

The re-establishment of convertibility, especially the elimination of quantitative restrictions on imports from the dollar area implies a parallel decrease in tariff restrictions and other obstacles to imports into the dollar area. In other words, trade between the dollar area and other countries should be freed simultaneously both ways; only then will European countries be certain to earn enough dollars to meet increased dollar expenditures, taking also into consideration that one cannot expect an indefinite flow of exceptional resources in the guise of help or non-commercial transactions.

In any case, however, the present gold and convertible currency reserves are still too low in almost every one of the interested countries. Those countries still need to be assured that they can rely, with maximum freedom and automatically, on a second line of reserves in the form of drawing rights on the Monetary Fund.

We are aware that the Fund is ready to grant that kind of facility. It will next be appropriate to define in greater detail the ways and means of such intervention and to ensure that the amounts coming from that source will be adequate.

As for trade, we were happy to hear from the Secretary of the Treasury of confirmation that the United States Government has firmly decided to pursue as liberal a policy as possible. We cannot, however, ignore the obstacles that such a policy has already encountered in the past and that it may meet in the future; our friends in the United States will certainly not be surprised if we say that before taking the road to convertibility, we wish to be sure that this policy has to a large extent been put into action.

We shall certainly continue to cooperate with both the International Monetary Fund and O.E.E.C. in all the studies that they will undertake in the common interest. But we have to consider that on the road towards real convertibility, that is to say, convertibility which includes not only payments, but also trade, we are behind our friends and partner countries, and therefore less able than any of them to reach the final goal in one stride.

As far as the purely financial aspects of convertibility are concerned, measures have been in effect for a number of years to enable in practice foreign capital invested in France to be repatriated at will. This practice has attained its goals; there are no franc-balances blocked in France and the situation from this point of view is perfectly sound.

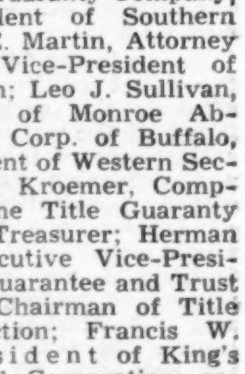
We are however, far from convertibility in the field of trade. Imports from the dollar area are all subject to quotas, and imports from European countries are far from being sufficiently free.

This situation is, as you know, a main concern both to us and to our European partners. We feel certain that our first duty vis-a-vis the member countries of O.E.E.C. and indeed for ourselves is to re-establish as soon as possible a higher measure of trade liberalization. We have committed ourselves to reinstate, at the latest by November first, a percentage of liberalization, amounting to at least 65%. We shall not fail in that commitment; but this will not be a last step. We shall later meet the 75 percentage which is the general rule of O.E.E.C., and if possible go farther. We are convinced that these achievements would be, at the present time, the most useful and most urgently needed contribution that we can offer towards convertibility.

*Statement by Minister Faure at the discussion of the World Bank's Annual Report, Washington, D. C., Sept. 27, 1954.

Thomas H. Quinn Heads N. Y. State Title Assn.

Thomas H. Quinn, President of Inter-County Title Guaranty and Mortgage Company, was elected President of the New York State Title Association, for a year's term at the Annual Convention of the Association, held Oct. 4th and 5th, at White Face Inn, Lake Placid, N. Y.



Thomas H. Quinn

Other officers elected with Mr. Quinn were Arthur L. Rieder, President of Security Title and Guaranty Company, as Vice-President of Southern Section; Carl E. Martin, Attorney in Troy, as Vice-President of Central Section; Leo J. Sullivan, Vice-President of Monroe Abstract & Title Corp. of Buffalo, as Vice-President of Western Section; Frank J. Kroemer, Comptroller of Home Title Guaranty Company, as Treasurer; Herman Berniker, Executive Vice-President of Title Guarantee and Trust Company, as Chairman of Title Insurance Section; Francis W. Clinton, President of King's County Capital Corporation, re-elected as Chairman of Abstracters Section, and Palmer W. Everts, re-elected as Executive Secretary.

With Hornblower & Weeks

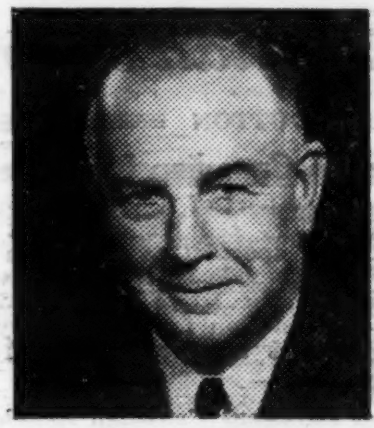
(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jerome M. Pustilnik is now with Hornblower & Weeks, 134 South La Salle Street.

Joins J. P. O'Rourke

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ira N. Loren has become associated with J. P. O'Rourke & Co., Board of Trade Building. He was formerly with Cruttenden & Co.



CLEO F. CRAIG
President of the American Telephone and Telegraph Company. Started with the Bell System as an *equipment man* in St. Louis in 1913 at $15 a week.

ALLERTON F. BROOKS
President of The Southern New England Telephone Company. Started with the Bell System as *engineer's assistant* in New Haven in 1911 at $12 a week.

EDWIN M. CLARK
President of the Southwestern Bell Telephone Company. Started with the Bell System as an *installer* in New York in 1923 at $30 a week.

SANFORD B. COUSINS
President of the Northwestern Bell Telephone Company. Started with the Bell System as a *traffic student* in New York in 1920 at $30 a week.

WILFRED D. GILLEN
President of The Bell Telephone Company of Pennsylvania. Started with the Bell System as a *clerk* in Philadelphia in 1923 at $27 a week.

JOHN A. GREENE
President of The Ohio Bell Telephone Company. Started with the Bell System as a *contract clerk* in Chicago in 1914 at $50 a month.

HARRY S. HANNA
President of the Indiana Bell Telephone Company. Started with the Bell System as an *engineer* in Cleveland in 1922 at $37 a week.

JOE E. HARRELL
President of the New England Telephone and Telegraph Company. Started with Bell System as a *clerk* in Atlanta in 1913 at $14 a week.

WILLIAM A. HUGHES
President of the New Jersey Bell Telephone Company. Started with the Bell System as a *groundman* in Kansas City, Mo., in 1917 at $60 a month.

WILLIAM V. KAHLER
President of the Illinois Bell Telephone Company. Started with the Bell System as an *engineering assistant* in New York in 1922 at $25 a week.

FREDERICK R. KAPPEL
President of the Western Electric Company. Started with the Bell System as a *groundman* in Minneapolis in 1924 at $25 a week.

DR. MERVIN J. KELLY
President of the Bell Telephone Laboratories. Started with the Bell System as a *physicist* in New York in 1918 at $40 a week.

Up from the Ranks

These are the presidents of the companies in the Bell System. They all started in the ranks.

Seventeen years ago the Bell System first published an advertisement like this. But there is a big difference today. Every one of the faces is new.

All of these presidents, like those before them, have had wide telephone experience—an average of 34 years in the Bell System and 18 years in upper management positions.

The Bell System is an up-from-the-ranks business and it aims to keep the opportunity for advancement open to all.

This has been true of the telephone business for many years and it is nowhere better illustrated than in the careers of the men who serve as presidents of Bell System companies.

BELL TELEPHONE SYSTEM

WALTER K. KOCH
President of The Mountain States Telephone and Telegraph Co. Started with Bell System as a *traffic student* in Denver in 1923 at $100 a month.

KEITH S. McHUGH
President of the New York Telephone Company. Started with the Bell System as a *clerk* in New York in 1919 at $35 a week.

JAMES B. MORRISON
President of The Chesapeake & Potomac Telephone Companies. Started with the Bell System as *engineering assistant* in Washington in 1925 at $27 a week.

CLIFTON W. PHALEN
President of the Michigan Bell Telephone Company. Started with the Bell System as a *lineman* in Syracuse in 1928 at $30 a week.

MARK R. SULLIVAN
President of The Pacific Telephone and Telegraph Company. Started with the Bell System as a *clerk* in San Francisco in 1912 at $50 a month.

FRED J. TURNER
President of the Southern Bell Telephone and Telegraph Co. Started with the Bell System as a *clerk* in Atlanta in 1907 at $18 a month.

CHARLES E. WAMPLER
President of the Wisconsin Telephone Company. Started with the Bell System as a *traffic student* in Chicago in 1929 at $130 a month.

Britain's Present Position In Foreign Investment

By the RT. HON. RICHARD AUSTEN BUTLER*
Chancellor of the Exchequer, United Kingdom

Britain's economic chief, stressing political importance of international capital flow, maintains United States' foreign investment is far behind Britain's when measured against national income. States that despite her heavy burden of rearmament, U. K. has earned substantial surplus on current account, enabling her to maintain large capital outflow.

I am a confirmed extrovert, and one whose country is likely to remain so. Our small island, the center as it is of the sterling area, cannot live and survive unless we look out on the "perilous seas and faery lands forlorn." We have, as you, sir, have said, a very considerable record of foreign lending. You were bold enough to give some impression of our portfolio in the 1880's. My own figures which I brought with me I think confirm the extent and amount to which you referred.

Rt. Hon. R. A. Butler

We had built up to the beginning of the first World War foreign investment which at the outbreak of that war was worth about 4,000 million sterling. That would be in current values today, about three times that amount. This was, of course, mostly private investment. Government intervention in those days, those happy days, was on a very small scale. But when we came to struggle alone for a period in the second World War, and then brought ourselves and our gallant partners to victory, we found that our position was changed overnight at the end of the Second World War from being the world's greatest creditor to being the world's most distinguished debtor.

In the course of that war, our external capital position deteriorated to the tune of 4,000 million sterling (including an increase of nearly 2,900 million sterling in our external liabilities)—which shows the nature of the struggle. And so in the early years after the war transfusions of capital were needed from abroad to help restore our United Kingdom economy, and I am glad to say that the picture I shall be able to give you today—one not only of an extrovert, but one whose blood transfusion has resulted in a condition in which we can start letting it out again.

The United Kingdom, therefore, has run the gamut of investment experience. We are now both a lender and a borrower, and we are therefore acutely aware of both sides of the investment problem.

I quoted in a previous speech of mine, or rather repudiated, an English classical quotation. On this occasion I should like to say that in my opinion Polonius in his advice was quite wrong when he said "Neither a borrower nor a lender be, for loan oft loseth both itself and friend, and borrowing dulls the edge of husbandry."

We find we get along pretty nicely as a borrower and a lender, and in the realm of husbandry, we are now accumulating our savings once more.

Now, our experience covers every type of capital investment. London has always been a short-term banking and a long-term investment center.

I understand, sir, that this discussion is not concerned so much with capital movement of a short-term character, such as movements caused, for example, by changes in exchange or interest rates, or short-term credits, or banking accommodations. We are concerned, in simple English with capital which sticks, or credit which is long-term—that is, funds which connote resources which confer a durable benefit on the borrower and enable him to concentrate the more on increasing wealth, production and trade.

Before the first World War, in those happy days, and to a decreasing extent after it, capital was allowed to go where it wished. Conditions then were pretty different from what they are now. There was comparative freedom from exchange restrictions, and there weren't quite so many of the features to which my distinguished predecessor has referred in some countries concerned.

Governments sometimes have to interfere necessarily at present, in preventing a free flow of capital and the rewards of investment. And we might ask ourselves, why do we devote a session now to this question, why is it the subject of continuing discussion at the UN and in the OEEC, and at the Bank's meetings?

What are the practical steps already taken by the Bank, and what is happening under the Colombo Plan; what is happening about the United States Government long-term loans and our own U. K. colonial and development welfare loans?

I think the reason why we are right in concentrating on this question today is that despite all that has been done by the Bank, despite all the discussion which takes place at these distinguished international gatherings, I support Sir Chintaman Deshmukh in saying that we are failing to secure anything like the full benefits that international capital can provide to the world.

Now, the contribution that I might be able to make at this stage is to follow up what Sir Chintaman said, that is that we must consider this overseas investment not only from the aspect of profit, but because it is important socially and in human terms, it is important politically in the international field, and of course it is important from the economic point of view.

Self-help from internal capital is, of course, a most healthy and attractive method of encouraging development within a particular country. But if we were to impose upon our own citizens, particularly we Finance Ministers, who have a hard enough time already, the extra sacrifices that would be necessary to finance all our own development, we would, by ignoring the possibility of importing foreign capital, be imposing unnecessary restrictions and hardships on our own people.

I think the flow of international capital is important politically, because in the present state of the world it is one of the great ties which can prevent the growing disparity of standards of living between one nation and another.

Those of us who listened to Mr. Black's opening address at this annual meeting will know that that was the theme, the theme of tying the nations together and of understanding one another's problems.

Of course, the argument for the economic value of overseas investment is obvious, because it brings up production and consumption in international trade.

I should have thought, therefore, that we are discussing something which is at the present moment of first-class importance in cementing international cooperation And it is our job, as I see it, as finance ministers, gathered here today, not to forget the three aspects, the human and social, the political and the economic.

And that is the tie between those of us who are sitting here on this platform, between what is sometimes described as the underdeveloped countries—although I often wish I were one myself—and those which are described, like that of my prosperous friend on my left, Mr. Humphrey, as the developed countries.

Now, we are not here today to consider governmental investment. There is obviously a good deal to be said about that. It generally takes the form of loans on which a rigid service payment has to be made, a payment not variable with the fortunes of the concern or with the country.

We are concerned with private investment, which can be in equities, which is more flexible in every way. And private funds are those upon which I think we should rely more than any other.

As I said in my short speech on the Bank report, the Bank is already doing excellent work in this field. Its dollar funds are derived mostly from market issues and from the U. S. private investor. In fact, the Bank is the biggest single channel for the U. S. private investor abroad.

In addition to this, the Bank has probably been the main institution to give confidence to private investors. And haven't I heard enough since I have been in the United States of some of the fears and anxieties of the introverts on this matter. Let them therefore take the opportunity of consultation with the Bank and realize what good they can, perhaps unwittingly, do.

I was recently in Pakistan, and while I was visiting that country, there came up for consideration this vast project of carrying natural gas from the Sui fields through pipes—which we shall naturally hope to be British—to the centers of population in that rapidly developing country. And I cannot describe what an encouragement it was, not only to the Pakistanis themselves, but also to those of us in London who are interested in this, and I believe to the world in general, that the International Bank stepped in to help.

I cannot make it clear enough to this gathering that there is no question for us in the sterling area of a sort of dog-in-the-manger attitude about foreign investment. We do not wish to keep all our own preserves for our own capital and our own private investors. We warmly welcome those of you who come in from outside. And I know that I am not offending the countries principally concerned when I say that our absolute and definite wish is to develop the life and prosperity of the peoples in our countries, and to use whatever capital we can get from any part of the world in the common good.

I therefore hope that this particular example will be followed up, and that the fabulous resources within the sterling area itself can be the subject of foreign investors' attention, and especially that of private investors in the United States.

Well, now, I thought in view of the laudatory remarks of my immediate predecessor in this conversation, that I would say something about the current policies in

Continued on page 30

*Transcript of remarks by Mr. Butler at informal panel discussion at the Ninth Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development, Washington, Sept. 28, 1954.

Securities Salesman's Corner

By JOHN DUTTON

People Are Interested in Canadian Investments

The tremendous interest on the part of American investors in Canadian securities is evidenced by the response that is now coming forward even when the speculative Canadian mining ventures are offered. Interest in Canada as the new investment frontier is not alone confined to speculative low priced stocks. There is a rapidly growing appreciation in this country of the many fine investment opportunities available in our Northern neighbor.

"Chronicle" Reprints of Excellent Canadian Article

The "Chronicle" of Sept. 30th carried a very factual article which contained a large number of listed Canadian stocks on which consecutive cash dividends have been paid from 5 to 126 years. Dividends, yields, and recent market price were given as well as the number of years consecutive dividends have been paid. The Article was entitled "Canada: A Wonderful Climate for Investment." The article, together with the list of consecutive dividend payers, is being made available by the "Chronicle" in pamphlet form to fit into a number 10 envelope at the following prices: 1 to 199 copies at 15c each; 200 or more copies at 12c each. "Compliments of" and the dealer's name in the line below is imprinted in the space provided for this purpose when 100 copies or more are ordered. These reprints could be used very effectively to stimulate qualified leads for your sales organization.

A Suggested Advertisement

Using a double return card, or a newspaper advertisement, copy along this line might be productive of interested inquiries.

Growing Canada — An Investor's Opportunity!

Send for a free list of sound, growing Canadian companies whose common stocks have paid cash dividends consecutively for 5 to 126 years. A free booklet, *"Canada — A Wonderful Climate for Investment,"* will be sent you on request—no obligation, of course.

BLANK & CO.

Telephone ____________ or mail coupon below
for your free copy

Blank & Co.,
Main Street, Anytown.

Without cost or obligation please mail me a copy of your pamphlet on the "Canada: A Wonderful Climate for Investment" containing data on unlisted stocks that have paid consecutive cash dividends from 5 to 126 years.

Name ________________________________

Address ________________________________

The reason I am writing about this article which is available in reprint form is two-fold. First, I believe that the subject of Canadian investments is timely right now and should be of interest to "growth" stock investors at this time. The second is that I feel certain that one of the most profitable types of advertising any firm can do is to offer high grade investment literature that is informative and educational. If you will re-read this Sept. 30th article in the "Chronicle" I think you will agree that it measures up on both counts.

Keep the Leads Coming

Think this out. Put a qualified salesman to work on a list of prospects that can buy, and who have the willingness to listen, and you are going to make money on that salesman's work and so will it be with him. But even the best and most conscientious salesman can waste time and energy calling on people who don't have the money, are not interested in securities, or who cannot be interviewed at a favorable time and place. Money spent on advertising that brings in leads gives your salesmen a dignified and proper reason to make a call. I don't believe in cold canvass, although some men and some firms say it works out—it is much better to have a "bridge over" or contact point with your prospects. This type of advertising will help your salesmen meet qualified people.

Don't Forget

Good salesmen follow leads—by telephone, by letter, by personal call. They don't waste their firm's money by allowing leads to grow cold. Every lead should be followed within the week it is received at THE LATEST.

James Anthony Opens Uranium Department

Establishment of a department to specialize in the marketing of securities of uranium mining companies has been announced by James Anthony Securities Corporation, 37 Wall Street, New York City.

The firm has studied numerous uranium properties and issues and has retained Richard M. Atwater, Jr., internationally known mining engineer, as uranium mining consultant. A feature of its newly established department is a display of a uranium ore collection.

Following extensive research and investigation in the field of atomic energy and uranium mining, the company recently published a comprehensive booklet entitled "Atomic Energy and Uranium—The Fuel of Tomorrow." It will continue to compile and issue from time to time current information on uranium and atomic energy.

Two Schwanz Branches in Texas

AURORA, Ill. — Schwanz & Company, Inc., has opened a branch office in the Mercantile Commerce Building, Dallas, under the direction of F. David Schwanz and at 6451 Camp Bowie Boulevard, Ft. Worth, under the direction of F. Douglas Schwanz.

Continued from first page

Government by Principle

great competence, you can think of three or four fellows here who will do the job. You go around to the authorities and they say, "For Lord's sake give us somebody outside New York." So we have to go digging around elsewhere in the country, and very often finally we come back and say, "The only good man to do this job is from downtown New York, so, I'm sorry, you will have to take him."

I want to say one other thing in that same vein and that is that I am enjoying the experience with the Washington civil servants. They are a much maligned group, and I can assure you that particularly in the Treasury Department you have a fine, devoted group of able people who are serving their country, and that is true in a good many other departments. There are rather too many of them over the country, and we are trying to do something about that, but I can assure you that this country is well served in the large body of fine civil servants.

There are parts of the rules that are unfortunate. For example, they don't allow you to discriminate enough to get rid of the ones that are not competent, but in spite of those difficulties, it is amazing how good a group of people you have there.

I want to ramble around a little and make a rather informal report to you about what goes on, talking about the facts, about some of the principles, and coming around at the end to a mention of this recent meeting of the Monetary Fund and the Bank that we have had in Washington.

Financial Policy of the Administration

First, as to the facts of the financial policy of the Administration, they are all pretty well known to you. The first thing we were concerned about was the budget, for expenses had been running out of hand. I think the easiest way to summarize that is that the rate of spending has been reduced by $10 billion. I could easily give you a larger figure than that. The Truman budget for the fiscal year that just ended was $78 billion. The budget that we are planning for the coming year is $64 billion. So there you can see there is a $14 billion cut.

Why don't we go faster with it? In the first place, we have got a defense program that has to be kept up in its efficiency. I believe the cut that has been made so far has been done without any real loss in our military competency. In fact, over this period I am sure we have gained in our military power.

The other question is a matter of timing. If we had hurried this thing too fast, the shock to the business situation would have been too severe. We think we have pared it off about as fast as you can in relation to the national defense, first, and secondly, about as rapidly as you could without too much of a shock of readjustment.

The second thing is taxes. We knew that if you did that amount of cutting of expenses without cutting taxes, again the shock would be increased, and the figures are that taxes have been reduced by $7½ billion in round figures, so that a major part of the savings in expenditures was given back to the people in the form of tax cuts. Our taxes were too high, as your Committee has told you very often, but we think we have made a good start at it. Our speed in doing it depends on how fast we can cut government spending.

The third thing in our financial program is honest money. We have tried to move in the direction of stabilizing the value of the dollar and keeping it from continuing to lose its purchasing power as it has been losing it over the past 20 years. That is partly a matter of the budget, partly a matter of giving the Federal Reserve its complete freedom to do the job that it is intended to do under the law. It is partly a matter of re-establishing a free open market for government securities. There is no device more designed to create inflation than a pegged market for government securities.

The other element in the program is debt management. I would thoroughly enjoy sometime giving you all of the details of debt management, but that is a highly intricate matter. I just want to say that we are working toward two objectives. One is to spread out the debt so it is held more largely by individuals and people who are long-term investors. That can only be done gradually over a period of time partly because the long-term money just is not available to take this debt up in large gobs. The long-term money is going now into very desirable uses. I am sure this community realizes that the volume of new security issues coming out is larger this year than ever before in the country's history, including municipal issues, the toll roads, and so on, and that is a great sustaining force in the economy. We are not going to force a long-term government issue which would stop up that available money at a time when it would break the market for all these desirable purposes that are now going forward.

That brings us to the second consideration besides lengthening the debt. The thing is to make this huge debt in such a way as to help the business situation rather than hurt it. Those twin objectives have to be harmonized with each other, and we are often in a dilemma, but we are trying to work it out so that the two things will work together. So much for the broad financial facts. I could go into other details, but those are the broad elements of the picture.

The Principles Back of Administration's Program

Now I want to talk to you about the principles that are back of what we have been trying to do, and I have written this out because I want to say it as I have written it down. These things that we have done are, we believe, substantial accomplishments in themselves, but they really add up to a change in the principles under which the Government is operating.

The need for strong central government in time of war, threat of war, and great economic changes led in this and other countries to a greater reliance on government and a tendency to distrust the forces of private enterprise. Unhappily, also a tinge of the philosophy of Karl Marx had spread far beyond the confines of the Communist states.

For twenty years our National Government grew bigger and bigger and moved into more and more areas of the country's economic and social life. Some of these extensions of function have proved proper and useful, but the trend towards centralization of power got out of hand. It brought us mounting expenditures, higher taxes, and larger deficits, and inflation.

The present Government has turned against this trend. The reduction in Government spending and in taxes is an evidence of this change. It is not a change in the sense of responsibility of the government for the people's welfare. It is rather a difference in method and approach. The objective is a dynamic, vigorous and growing economic life and rising living standards. The function of government is conceived as not so much to supply benefits directly to its citizens as to ensure the opportunity for them to achieve them by their own effort.

The philosophy of the present Government is that our citizens individually and in association with others, if freed from undue restrictions, if given opportunity, do create the jobs which give us continuing and growing high employment. Prosperity does not depend on steadily increasing Government spending or inflation. As President Eisenhower said recently, "we flatly reject the idea that, for America to stay prosperous, we must constantly run an economic fever. We flatly reject the idea that, for America to stay prosperous, the Government must always spend more than it has."

In this country we are now in the midst of a test which will give some evidence whether this belief will work. It is a difficult test for it follows twenty years of intermittent inflation which has cut the value of the dollar in half—twenty years in which the people have been taught to lean more and more on their Government. To change the trend is not easy. The evidence today is encouraging that the turn is being made successfully. For example, personal income after taxes is today above the new high record set last year.

A Sound and Honest Money Policy

One essential part of the philosophy of economic freedom is that sound and honest money is a basic necessity for the healthy growth of enterprise. Money that can be trusted is one of the keys to national prosperity.

And now I make the transition to our meeting in Washington. A healthy world trade requires good international money, and that is one of the reasons why so much interest is attached to the recent meeting of the Monetary Fund and the International Bank in Washington.

Some of you, I know, have followed the career of those two institutions, some of you have attended the meetings. They are getting to be really a convocation of world finance. There have been 57 members of the Fund and the Bank, and every year they meet for what seems an incredible length of time because there is a dinner every night and a lunch every noon, and it lasts for at least ten days. But we see there the leaders in finance from all over the world, and we get the trend of what goes on.

The interesting thing to me is that over the years that I have been in contact with it the grasp that those men have of fundamental monetary and economic principles is growing year by year. Partly it is that better men are getting into those institutions and partly it is that the thing itself has had a great educational value, and I think we ought to be very encouraged that in general the understanding and the attitude of those men is in favor of sound money and sound economic conditions.

This particular meeting that we had in Washington that ended last week, it was hoped by some people, would produce a major step on the part of some of the European countries to more fully convertible currencies, that would mean a jump to convertible money, C-Day if you will. We all want convertibility to come because when it does come it will be a stimulus to world trade, when it is taken in a way that people have confidence can be continued.

No such major step was made or revealed at the Washington meeting. I can assure you that nobody whispered in my ear that he was going to go convertible in the next month or six weeks. It was definitely indicated that there would be a postponement of that major step to convertibility, and naturally that is a cause of some disappointment to people who had their hopes up.

On the other hand, the thing that this meeting did bring out more clearly than ever before is the very encouraging development which has been happening rather quietly, so it has not been in headlines in the papers, and that is the number of shorter steps toward convertibility that the countries of Europe have been taking from month to month over the past two years, and the resolution that was expressed by country after country at these meetings to carry forward that step by step movement toward convertibility.

We got to referring to that situation by saying that the big move to convertibility was convertibility with a capital C, that the little moves are convertibility with a small c, and they both move in the same direction. One moves somewhat faster.

Steps Toward Currency Convertibility

I had never seen it done, so I asked our people at the Treasury to put together a list of the steps toward convertibility that had been taken by these different countries in the past two years, the small c step, and I have here in my hand a list that goes over 2½ pages. I am not going to read the whole thing to you, but let me read a few to give you a feeling about what it is:

In January, 1953, the United Kingdom restored trade in many important products from state to private hands. The London Metal Exchange resumed operations in zinc on a liberalized basis.

In March, 1953, the United Kingdom relaxed restrictions on the use of blocked sterling accounts.

In May, the UK permitted private importers to import wheat from any source. Before, that had been a government-controlled situation.

In the same month, eight European countries permitted the resumption of private arbitrage among their respective currencies. That had been forbidden by the Exchange control.

In August, the UK permitted international copper trading on a liberalized basis.

In January, 1954, South Africa announced the end of trade and exchange discrimination.

In February, Germany liberalized about 40% of its dollar imports on private account.

In March, the London gold market reopened for nonresidents of the sterling area. In March also the UK simplified and reduced exchange controls on use of transferable sterling. The New York bankers were released to trade in transfer of sterling that they had not been before.

In April, Germany released blocked Deutscher Mark balances accrued to March 31 and permitted transfer to nearly all non-dollar countries.

In May, Benelux countries announced extensive lists of items which could be imported freely from the dollar area. In May also Liverpool futures market opened for American cotton.

In June the UK announced the adoption of a more liberal policy in approving dollar machinery imports.

In July the UK permitted importers to import sugar from any source.

Then in August Italy further liberalized private imports from the dollar area.

Germany in September announced a long list of items which could be imported freely from the dollar area.

In September, the United Kingdom permitted importers to import cotton from any source.

In October, Sweden liberalized a long list of items.

Now, that isn't a complete list. We could have put in more, but what has been happening is that all over free Europe they have been making steady progress toward making their money good and exchangeable with other moneys, an enormously important development.

Clearly if these countries press forward with more of these short steps it won't be long before the free world finds its currencies convertible *de facto*. Convertibility will perhaps come not so much by a great leap as by a number of shorter steps. Of course at the end some leaping will be necessary. There will have to be at some point an act of faith in which we have to have international cooperation in which you go all the way in some of these major steps. But the progress so far has been enormously encouraging.

Now I want to conclude by suggesting that these two things I have talked about, the principles of liberalization of our economy, of our moving away from Government controls, and this other thing, the convertibility of European currencies, are really the same principle in different forms. There is a link between the movement of the free world toward convertible money and the principles of Government that this Administration has been following in the United States. In both cases, we are moving toward greater freedom, away from Government detailed control over the lives of our citizens, and the purpose in both cases of the move toward freedom is to allow the energy, the enterprise and the ingenuity of each citizen to bring him and his fellows a fuller and more satisfying life.

Sabre Uranium Stock Offered at $1 a Share

An issue of 1,400,000 shares of common stock (par 10 cents) of Sabre Uranium Corp. is being publicly offered as a speculation at $1.25 per share by Southwestern Securities Co.; Mountain States Securities Corp.; Minor, Mee & Co.; Clark, Landstreet & Kirkpatrick, Inc.; and Lentz, Newton & Co.

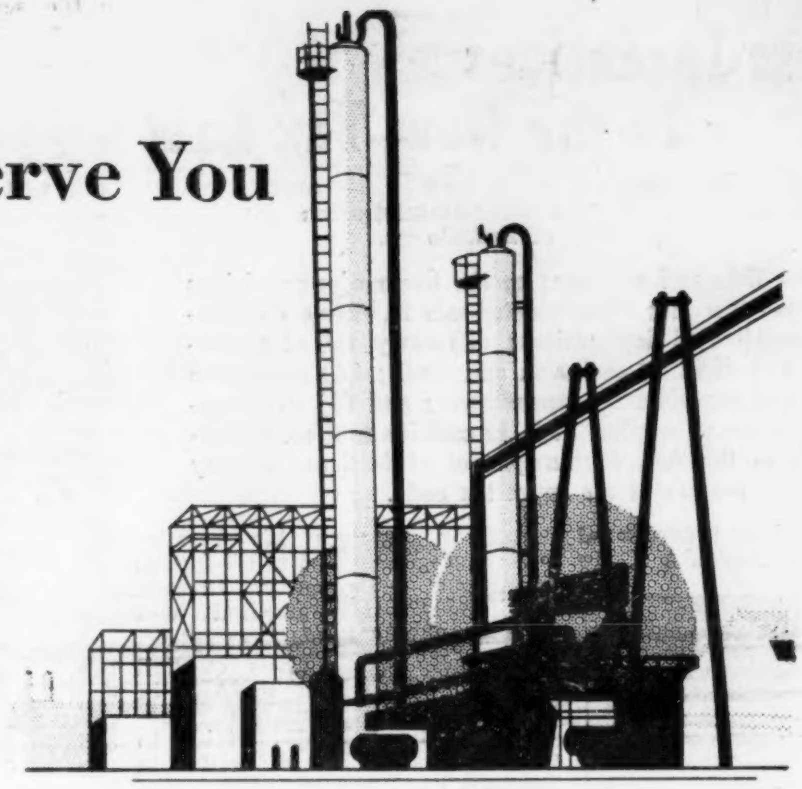
A part of the net proceeds are to be used for the payment of the cash portion of options to purchase certain mining properties. The remainder of such proceeds are to be used to pay cost of exploration of uranium properties and for other corporate purposes.

Sabre Uranium Corp. was organized in Delaware on July 16, 1954. It has options to acquire oil and gas leases in Stonewall and Midland Counties, Texas, known as the Blackshear Lease and the Sharples Oil Corp. TXL "D" Lease. The company has also entered into an option agreement to purchase from Plateau Uranium Mining Corp. all of its properties and assets located on the Colorado Plateau in Colorado and Utah.

The corporation also has an option to acquire certain prospecting permits issued or to be issued by the Commissioner of Public Lands of New Mexico covering tracts of New Mexico school lands.

Following completion of this financing, the corporation will have outstanding 1,465,000 shares out of an authorized issue of 3,000,000 shares. If the company exercises its option to purchase the New Mexico and Plateau uranium properties, an aggregate of 2,200,000 shares will then be outstanding.

How Spencer Products Serve You



In this era of a vigorous, expanding American economy, basic chemicals for industry and agriculture are assuming ever greater importance. In fact, only with the aid of chemistry can the United States provide a higher and higher standard of living for a constantly increasing population.

Though you may not realize it, the products of Spencer Chemical Company probably touch your life every day—having been used in the production or processing of the food you eat, the clothing you wear, the medicines which keep you well and the modern conveniences at your command. Expanding to meet the demand for these versatile materials, Spencer Chemical Company is often called "America's growing name in chemicals".

Another year of outstanding progress in chemicals

A Message from the President:

During the year ended June 30, 1954, the Company continued to show improvement in sales, net income and earnings per share. The Company's major construction program was carried forward according to plan while a strong working capital position was maintained.

In the course of the past year the Vicksburg Works was completed at a lower cost than originally estimated and made a significant contribution to sales volume. This year, with a full twelve months of operations, it should reflect itself substantially in net income as well.

Construction of the polyethylene production facilities at Orange, Texas is progressing according to schedule and it now appears that the new plant will be completed in the spring of 1955 within the original cost estimates.

We expect a larger volume of business in the current year than in the year just past because of our greater capacity for production from our expanded facilities.

Kenneth A. Spencer

CONDENSED STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

	June 30, 1954	June 30, 1953
CURRENT ASSETS:		
Cash and U. S. Government Securities	$25,012,205	$27,254,100
Receivables (net)	2,282,727	2,128,030
Inventories	1,873,973	2,073,696
Total Current Assets	$29,168,905	$31,455,826
CURRENT LIABILITIES:		
Payables and accruals	$ 3,542,886	$ 2,456,347
Federal and state income taxes	6,641,782	6,329,488
Total Current Liabilities	$10,184,668	$ 8,785,835
WORKING CAPITAL	$18,984,237	$22,669,991
PLANTS AND EQUIPMENT	38,095,132	32,018,643
OTHER ASSETS (net)	748,793	870,102
NET ASSETS EMPLOYED IN THE BUSINESS	$57,828,162	$55,558,736

	June 30, 1954	June 30, 1953
BORROWED CAPITAL	$25,000,000	$25,000,000
EQUITY CAPITAL:		
Serial Preferred Stock, 4.60% Cumulative	$ 7,746,500	$ 7,994,800
Second Preferred Stock, 4.50% Cumulative and Convertible	....	6,250,000
Common Stock	6,749,130	6,000,000
Amounts paid in on capital shares in excess of par value	5,493,620	....
Earnings retained in the business	13,100,900	10,756,437
	$33,090,150	$31,001,237
Less—Preferred Stock sinking funds	261,988	442,501
Total Equity Capital	$32,828,162	$30,558,736
TOTAL SOURCES FROM WHICH ASSETS WERE PROVIDED	$57,828,162	$55,558,736

SUMMARY OF CONSOLIDATED INCOME

	Year Ended June 30, 1954	Year Ended June 30, 1953
NET SALES OF PRODUCTS	$34,104,178	$30,837,455
COSTS AND EXPENSES:		
Cost of products sold	$17,578,421	$15,835,294
Selling, administrative, and other expenses (net)	4,908,673	4,514,984
	$22,487,094	$20,350,278
NET INCOME BEFORE TAXES	$11,617,084	$10,487,177
FEDERAL AND STATE INCOME TAXES	6,330,000	5,826,000
NET INCOME	$ 5,287,084	$ 4,661,177

SPENCER PRODUCTS

- Anhydrous Ammonia
- Refrigeration Grade Ammonia
- Aqua Ammonia
- Methanol
- Formaldehyde
- "Mr. N" Ammonium Nitrate Fertilizer
- SPENSOL (Spencer Nitrogen Solutions)
- 83% Ammonium Nitrate Solution
- FREZALL (Spencer Dry Ice)
- Liquid Carbon Dioxide
- Hexamine
- Polyethylene (1955)

SPENCER

America's Growing Name in Chemicals

Spencer Chemical Company's Report for fiscal 1954 has just been published. A copy will be mailed to you on request.

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Business Incentives In the New Tax Law

By HAROLD M. SOMERS*
Dean, School of Business Administration
University of Buffalo

Dean Somers lists and discusses as the five major provisions in the new tax law that remove deterrents to business expansion: (1) accelerated depreciation; (2) carryback of operating losses; (3) dividend exclusion and credit; (4) exemption of research and experimental expenditures; and (5) unreasonable accumulation of surplus. Says, in addition to these adjustments made in the Act, encouragement of business activity permeates the entire tax code.

The tax revision represented by the Internal Revenue Code of 1954 was prompted by the desire to use taxes as a device to stimulate business incentives as well as an instrument to raise revenue. In his Budget Message to Congress this year, President Eisenhower said:

Harold M. Somers

"Revision of the tax system . . . is needed to restore normal incentives for sustained production and economic growth. The country's economy has continued to grow during recent years with artificial support from recurring inflation. This is not a solid foundation for prosperity. We must restore conditions which will permit traditional American initiative and production genius to push on to even higher standards of living and employment. Among these conditions, a fair tax system with minimum restraints on small and growing businesses is especially important."

These were the guiding principles of those tax revisions that had to do with business incentives. All the revisions, including those of a non-business nature have been estimated to cost a total of $1.4 billion in the fiscal year 1955. The extension of the 52% rate for corporations (Sec. 11) for another year alone represents revenue of $1.2 billion. What has happened then is that Congress has decided that a tax reduction through special incentive provisions would have a greater stimulative effect than an equivalent loss in revenue through a straight cut in the corporate income tax. It was a difficult choice to make.

There are five major provisions in the new tax law that constitute a removal of deterrents to business expansion. These have to do with (1) Accelerated depreciation (Sec. 167), (2) Carryback of operating losses (Sec. 172), (3) Dividend exclusion (Sec. 116) and credit (Sec. 34), (4) Research and experimental expenditures (Sec. 174), and (5) unreasonable accumulation of surplus (Secs. 531-537). These are just the major provisions: the encouragement of business activity permeates the entire Code and shows up in many detailed provisions, including the reversal of unfavorable court holdings.

Accelerated Depreciation

The 1939 Code provided for "a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence) (1) of property used in a trade or business or (2) of property held for the production of income." What was "reasonable" was left to the Commissioner through his regulations and rulings and to his agents throughout the country. In fact, the straight-line method was most generally used.

The new Code gives explicit statutory approval to methods of accelerated depreciation that accountants have used or tried to use for years. The difficulty in the past has been in getting permission for anything other than the straight-line method. Authorization is now given to the declining-balance and sum-of-the-digits methods, although any method that was previously approved may still be used. With respect to the declining-balance method, double the straight-line percentage may be used, instead of a maximum of one-and-a-half times the straight-line percentage as hitherto. Other consistent methods may still be used provided that they do not produce larger deductions than the double declining balance method during the first two-thirds of the service life of the asset. The problem of writing an asset down to zero under the declining balance method is taken care of by permitting a reversion to a straight-line method at any point. It should be noted that the sum-of-the-digits method may provide an even more rapid acceleration than the double declining balance method. In both cases, the degree of acceleration compared with the straight-line method is greatest for assets with a short life. About two-thirds of the cost will be written off during the first half of the asset's life under the double declining balance method. Under the straight-line method, of course, only half the cost is written off during half the life. The new provisions apply only to new assets with a useful life of three years or more. Depreciation allowances for existing assets are not affected. The desire to encourage investment in new assets is evident.

Accelerated depreciation helps provide a solution to two of the problems facing a businessman who is considering expansion. (1) Will he show a profit on the investment during its entire life? and (2) Will he be able to finance the investment? The first problem has to do with the businessman's horizon: how far ahead can he see? In some lines, particularly public uitilities, it is possible to plan ahead for 20, 50 or even 100 years. Most businesses, however, especially in these uncertain times, are reluctant to make an investment unless they can see a return of their capital in the next few years. This is the basis for the five-year amortization of emergency facilities. (1939 Code, Sec. 124A. 1954 Code, Sec 168.) The new Code provisions are not quite so liberal but they do shorten the time during which the bulk of the capital remains tied up.

At the same time, the problem of financing is eased. With the bulk of the capital to be returned in a few years, shorter-term financing can be undertaken. Since there is less risk the cost of financing should also be lower.

In terms of cost after taxes, it may be found that it is cheaper to buy equipment than to rent, especially where a long-term lease is involved.

There are, however, some serious pitfalls in the use of accelerated depreciation. In the case of individuals doing business as sole proprietors or partners the progressive tax structure provides for bracket rates ranging from 20% to 91%. A severe penalty is thus imposed on anyone who has a fluctuating income and takes his depreciation in the wrong years. In the case of corporations, all taxable income is subject to a 30% tax (scheduled to fall to 25% on April 1, 1955) while taxable income over $25,000 is subject to an additional tax of 22%. A corporation that stays above the $25,000 level does not suffer a penalty for guessing wrong on depreciation policy, barring an excess profits tax, of course. A small corporation that fluctuates above and below the $25,000 level may suffer a penalty of 22% for guessing wrong. If its income is low during early years of accelerated depreciation and high during the later years when the depreciation allowances have become very small, the total tax paid will be greater than under the straight-line method.

Business, especially small business, must therefore proceed with caution in making use of the provisions for accelerated depreciation. Depreciation that is written off in the early years will not be available later. The decision to use accelerated depreciation may turn out to be most unwise. It is true that the company can revert to a straight-line method from the declining balance method whenever it wishes but it can never recapture the depreciation it has already written off.

Carryback of Operating Losses

An extension of the principle of averaging of losses is provided by a two-year carryback of losses in place of the one-year carryback already in effect. The five-year carryover stands. The result is that a loss may be carried back two years and forward five years, thus, with the current year, making a total of eight years over which the loss may be spread. There is no averaging in the literal sense because the loss has to be applied against earnings in a definite order, first two years back then, if any loss remains, one year back, then, if any loss still remains, one year ahead, and so on. Nevertheless, the result is that a firm experiencing a loss in any year stands a good chance of getting a rebate that year—when it needs it most—as a result of earnings in the preceding two years. If it has no such earnings it will at least get a tax credit in the one or more of the succeeding five years of earnings.

From an economic point of view the carryback is much more important to establish businesses than the carry forward. The carryback provides funds when they are most needed, i.e. when the firm is suffering a loss. This has a stabilizing effect on the economy. Thus it was a wise move to tack a year onto the carryback rather than the carryforward. The carryforward is still essential for new ventures that experience losses during their first few years of operation. They are encouraged to take the risk of loss with the knowledge that they will recapture some of the loss through a tax credit if and when they start showing a profit.

It may also be mentioned that the definition of loss carryover is also liberal in the new Code. The new law eliminates the requirement that the loss carryover be decreased by an adjustment for the intercompany dividend credit, the excess of percentage over cost depletion, and tax-exempt interest. (1954 Code. Sec. 172 (a), (c).) Losses from the sale of business assets, previously includible in net operating loss only by corporations, are now includible by all taxpayers. (Ibid. Sec. 172 (d).)

The carryback and carryforward provisions are essential to avoid discrimination against risky and volatile investments, investments in new fields that are likely to open up new jobs. A business firm that remains at a stable level of zero profit pays no tax year in and year out. But a firm that has high profits and losses but averages zero may incur a large tax liability. The carryback and carryover provisions now virtually eliminate this problem.

Dividend Exclusion and Credit

The new law permits each stockholder to exclude from his gross income up to $50 of dividends. It also allows him a credit against his total tax liability up to a limit of 2% of taxable income in 1954 (and not more than 4% of the net dividend income received after July 31, 1954) and 4% in later years. This credit applies to dividends in excess of the $50 exclusion. We might say that dividend income has now become partially tax-exempt.

The dividend exemption of $50 and the prospect that it will be raised in future years puts an entirely new light on employee stock purchase plans. If we consider the case of a stock yielding 5%, an employee could buy up to $1,000 worth of stock tax-free. This is a selling point that might expand existing employee stock plans, encourage the establishment of new ones and generally increase the ownership of stock by employees. For those employees who are already above the $50 dividend level, the 4% credit against tax also holds out some inducement, although of more moderate size.

The dividend exemption and credit thus provide a rare opportunity for industry to tap a new source of equity capital with the incentive of tax-free dividends. A person who has never bought shares of stock before and is considering say an investment of $1,000 to yield 5% can now be told that his dividends of $50 will be tax-free. True, he might otherwise have been paying only a small amount of tax on this return but there is all the difference in the world between a tax-free income and a taxable income however low the tax may be. The result should be a wider distribution of equity securities. There should also be an increase in equity financing relative to bond financing — a desirable development in terms of maintaining solvency whenever business falls off.

It is interesting to recall that dividends were exempt from normal tax from 1913 to 1936. The tax law of 1913 imposed a normal tax on individuals at the rate of 1%. It also imposed a tax of 1% on corporations but made dividends received by individuals completely free of normal tax. The corporation was regarded merely as the collecting agent for the shareholder, whose income should be taxed only once. Until 1936 dividends remained exempt from the normal tax but subject to the surtax. This exemption was lost in the undistributed profits tax of 1936-39 and has remained lost ever since. The new law provides a different approach to the problem. It excludes $50 dividends from both normal and surtax and provides a credit of 4% against the total of normal and surtax.

Research and Experimental Expenditures

The tax treatment of research and experimental expenditures has long been in a state of confusion. A large company with a steady volume of such expenditures has been able to deduct them currently but if it chose to capitalize them it has run into difficulties in writing them off over a definite period. There has also been difficulty in taking an abandonment loss where necessary. Smaller firms, with sporadic research expenditures, had difficulty sometimes in charging them currently. The new law gives everyone the option of charging them as current expenses or capitalizing them and amortizing them over a period of not less than 5 years. Amounts which have been neither treated as current expenses nor amortized may be deducted as a loss.

The more liberal treatment accorded research and experimental expenditures has a significance that may not appear on the surface. Not many years ago economists—perhaps I should say some economists—were deeply concerned about the opportunities for new capital investment. There was a fear that the economy had reached a state of maturity and possibly stagnation, that capital funds would not find profitable outlets, that new jobs would not be opened up to provide a high level of employment and income. World War II, the postwar boom and the Korean war either dispelled or obscured these prophecies. The current softening in capital goods lines reopens the question. But one thing is sure. There will never be a lack of investment outlets as long as American ingenuity and enterprise have free scope to develop new products and new processes. The uncertainty surrounding the tax treatment of research and experimental expenditures has hampered an activity that is vital to the future of the American economy, to say nothing of American scientific and industrial pre-eminence and military strength. The new law removes the last tax barrier to this development.

Tax on Unreasonable Accumulation of Surplus

We are all acquainted with the harsh application of Section 102 of the old Internal Revenue Code. If the Government claimed that the surplus accumulated was excessive, it was up to the taxpayer to prove that the amount of earnings retained served a legitimate business purpose and that there was an immediate and specific use for the retained earnings. This did not encourage immediate investment of funds so much as it discouraged long-range planning and the most effective utilization of the accumulated earnings.

Section 102 has now become Sections 531-537 and a major change has been made in its administration. The taxpayer still has to give his reasons for the accumulation but the burden of proof as to the reasonableness of the amount has been shifted to the Government provided that the taxpayer has responded adequately to a notice, if any, given him by the Commissioner. Moreover, there need no longer be an immediate and specific need for the retained earnings; such earnings need only be necessary for "reasonably anticipated" business requirements. The Government must prove that the accumlated earnings are unreasonable. There is also an exemption of $60,000: a total accumulation of this amount (not an annual amount) can exist without any threat of a penalty. Finally, if a penalty is imposed it applies only to the portion of retained earnings found to be unreasonable.

The net effect of the revised version of Section 102 is to encourage a feeling that funds can be accumulated internally for ultimate capital investment without fear of penalty. This removes the major barrier to an important source of new capital investment —internal funds. It is particularly significant for those corporations that do not have ready access to

*An address by Dean Somers at the Conference on the Internal Revenue Code of 1954, Buffalo, N. Y., Sept. 24, 1954.

the outside capital market through the issuance of bonds and shares.

Summary

We may group the new tax provisions discussed above around three questions that are crucial whenever investment in plant and equipment is considered. Where will we get the money? Where will we invest the money? How soon will we recover the money invested? The problem of where to get the money is eased greatly. Funds from internal sources are made more readily available by the more liberal provisions for accumulation of retained earnings. Funds from outside sources are opened up by the attractions accorded equity securities through the dividend exclusion and credit. The question where to invest the money, i.e. the general problem of investment outlets is answered by research and experiment in new products and processes, expenditures for which are now treated as either current or capital expenses at the taxpayer's option. The recovery of the funds invested is speeded by the provisions for accelerated depreciation. In case of loss at least some recovery is likely through the carryback and carryover provisions.

Conclusion

In conclusion, we may refer to the fact that the new tax incentives are tied in closely with the Federal deficit. The loss of revenue from the tax reforms has enlarged the prospective deficit. It is anticipated, however, that the increased investment, employment and income resulting from the tax incentives will ultimately increase tax revenues and more than compensate for the temporary loss of revenue and increase in deficit. In other words, Congress is investing in industry to the tune of a billion dollars. It hopes to get back a return many times that amount. Its investment will turn out to be wise only to the extent that the tax loss does stimulate industry into greater plant and equipment expenditures.

Industry has been given a green light on capital expenditures. The provision for accelerated depreciation insures a quick recovery of most of the new capital invested, the new loss carry back provisions gives a greater assurance than ever before that there will be a tax rebate or credit for any business that experiences a loss in one year or even several years in a row, the dividend exemption and credit broaden the sources of supply of equity capital, the liberal treatment of accumulated earnings removes a barrier that has stood in the way of long-range internal financing, and the deductibility of research and experimental expenditures increases the prospect that new uses of capital funds will constantly be opened up. The new tax law does not guarantee a profit but it does practically everything else. Congress has provided the incentives. It is now up to industry to show that it will undertake the investments to maintain a high level of employment and income.

Now Partnership

SAN FRANCISCO, Cal.—Robt. R. Davis, Edwin F. Peabody, general partners, and Clara Scott Bruce, special partner, are continuing the investment business heretofore conducted by the late Malcolm C. Bruce under the firm name of Conrad Bruce & Co., 235 Montgomery Street.

L. Stanley Kahn Co.

L. Stanley Kahn, member of the New York Stock Exchange, general partner, and Daniel G. Arnstein, limited partner, as of Oct. 21 will form L. Stanley Kahn & Co. with offices at 39 Broadway, New York City.

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Cooperation Between The IBA and the NASA

making of oral offers (or the solicitation of offers to buy) securities, and the distribution of identifying statements or a summary of a prospectus, prior to registration of the securities involved would be unlawful under the present securities laws of some states, it is important to note that investors in those states will probably be deprived of the opportunity to buy many of the most desirable issues of securities because such issues will be sold immediately upon the effective date of registration in states where dealers and salesmen had been able to offer the securities and distribute information regarding those securities prior to the effective date.

Also, the Securities and Exchange Commission in July adopted a simplified form, designated Form S-9, for the registration of certain nonconvertible fixed interest debt securities if the issuer has been in business at least ten years, has an earnings history which meets the requirements of the form and meets certain other requirements. Since securities eligible for registration on Form S-9 will be eligible for registration by notification under the securities laws of many states, including almost all states in which principal securities markets are located, securities eligible for registration on Form S-9 probably, in many cases, will not be registered in states where registration by qualification is required for such securities. Consequently, there are clearly several areas where cooperation between the IBA and the NASA can do much to effect and simplify the solution of mutual problems.

Recently I had lunch with a friend of mine who is in the scale business, and we got to discussing the regulation of industry by governmental bodies. I proposed that the investment business was the most regulated, with the SEC, the NASD, and in addition to this, most of the 48 states taking a hand in seeing that everything went all right. My friend countered me by saying the scale business was the most regulated in the country. He pointed out that the Constitution of the United States authorized Congress to regulate measures and weights. After Congress assumed its prerogative, which it took some years to do, each state thereupon took upon itself the regulation of weights and measures. Now, he further pointed out, there is hardly a village in the country that does not regulate weights and measures.

We in the investment business hope we never get to the latter stage of regulation by the local municipality. On the other hand, I think a majority of us would like to see, as time goes on, stricter regulation of the individual who enters our type of business with more leeway given to the individual in it as to what constitutes a sound investment. We in investment banking have been trying to bring the caliber of the men working in our industry to a higher level. We look at our field of endeavor as a profession, and we would like those about us to consider us a professional people. In other words, we would like to be regarded as lawyers, doctors, dentists, architects, and so on, are. We perform a valuable function in the economy of the country, and we would like to be recognized for the services we perform in this regard.

Regulation Here to Stay

This does not mean, however, that we ever expect to see our industry go unregulated. We thoroughly recognize the fact that regulation is here to stay. But we would rather see the focus of the regulation shifted from the security to the individual in the industry. In other words, we would like to see more emphasis placed on the regulation of the individual who distributes securities and less attempts to write laws telling what constitutes a "good" security. In our opinion, so many of the laws are set up to play the part of investment counselors, which we deem unwise because of the constantly changing factors in the economic atmosphere throughout the country.

In conclusion, the IBA will welcome the opportunity to cooperate with the NASA as an association, and with you individually, in your respective states, toward the achievement of the general objectives referred to and toward the solution of some of the problems referred to, and we will welcome this opportunity not only for the satisfaction of worthwhile accomplishments, but also for the pleasant personal associations and friendships which are developed in the course of such work.

Gerald F. X. Kane Is Forming Own Firm

Gerald F. X. Kane

Gerald F. X. Kane is forming Gerald F. X. Kane & Co. with offices at 1 Wall Street, New York City, to engage in the securities business. Mr. Kane was previously a partner in Frank C. Moore & Co.

Elected Director

Philip A. Straus, partner of Neuberger & Berman, members of the New York Stock Exchange, has been elected a director of Guardian Mutual Fund, Inc.

Walston Window Display

PHILADELPHIA, Pa.—Walston & Co., noted for unusual window displays in its Philadelphia office attuned to the investment market, has presented another unusual display. A. Joseph Newman, Jr. in his Signposts column in the "Philadelphia Evening Bulletin" sums it up in a pertinent paragraph thusly:

"Bearing down: Wall Street has finally laid the bear market to rest. Proof: The bear himself has been skinned and now graces the window of Walston & Co., at 1420 Walnut as part of its display marking autumn and the beginning of the hunting season. John A. Meyer did the deed."

With Paine, Webber

BEVERLY HILLS, Calif. — James J. Brett has been added to the staff of Paine, Webber, Jackson & Curtis, 424 North Camden Drive. He was previously with William R. Staats & Co. and Stephenson, Leydecker & Co.

Public Utility Securities

By OWEN ELY

New England Electric System

New England Electric System is the largest electric-gas utility system in New England, with annual revenues of $121 million. The electric utility properties constitute a single interconnected, coordinated system. Electric service at retail is provided in 194 municipalities of which 142 are in Massachusetts, 27 in Rhode Island, 21 in New Hampshire and 4 in Connecticut. The total area thus served covers some 4,500 square miles, with a population of about 2,135,000.

The territory includes the metropolitan areas of Providence, Rhode Island, and Worcester, Massachusetts; industrial cities such as Lowell, Lawrence, Haverhill, Salem, Attleboro, North Adams and Beverly, Mass.; and suburban cities and towns, many with considerable local industry, located to the north and south of Boston. In addition subsidiary companies sell at wholesale to various nonaffiliated utilities and municipalities. Utilities serving a large portion of Vermont purchase a substantial part of their requirements from NEES.

In 1953 the system generated about three-quarters of its power requirements and purchased the other one-quarter from Boston Edison and other utilities, 42% of the purchases being classed as "surplus and economy power." New England Power is the principal wholesale subsidiary and does business in Massachusetts, New Hampshire and Vermont. New England Power, Connecticut River Power, Narragansett Electric and Worcester County Electric produced nearly all of the electric energy generated by system companies. System reliance on hydro power is growing smaller with the construction of important steam generating capacity. Hydro generation in the 12 months ended June 30, 1954, was 20% of total electricty generated and purchased, as compared with 28% in 1951.

The company has spent $186 million for expansion in the past five years. As a result about 400,000 out of the 700,000 kw. steam capacity is almost new. This has greatly improved operating efficiency: in 1943 1.46 lbs. of coal were used to generate 1 kwh. while in 1953 only 0.94 lb. was used, and in the Salem plant only 0.7 lb. The company has also been installing new hydro capacity. In 1953 85% of power was obtained from hydro and modern steam generating units, compared with 37% in 1946.

The System corporate set-up has also been modernized—transit properties have been disposed of, gas and electric properties segregated, fringe companies disposed of, the balance sheet cleared of a large intangible, and the parent debt reduced. Further progress in this program is anticipated. The holding company debt is now down to $17.5 million and will be under $10 million in a few years. The gas division, which now uses natural gas, has considerably improved its earning power. Before natural gas, the gas division earned only $133,000 while now it is earning about $1 million net on a rate base of $21 million. Eventual sale of the gas properties is contemplated.

The company recently offered 910,883 shares of common stock through subscription rights. Including this offering, capitalization is approximately as follows:

Debt (including short-term bank loans)	$240,000,000	56%
Preferred stock of subsidiaries	40,000,000	9
Minority interests	7,000,000	2
Common stock equity (10,907,707 shares)	142,000,000	33
	$429,000,000	100%

While New England is sometimes considered a nongrowth area, NEES' postwar residential sales (including farm service) have increased 110%, commercial sales 75%, and industrial sales 47%. There has been some concern expressed over the exodus of certain textile plants from the New England area to the South. However, it is interesting to note that in 1953 NEES' revenues from woolen and worsted manufacturers were 16% more than in 1949; while cotton and rayon revenues were off 10%, miscellaneous textile and apparel revenues gained 26%. Thus, despite the loss of some plants, total textile revenues gained 5%. In the meantime some other industries were showing very rapid growth in revenues contributed, such as the following:

Electronics	178%
Stores, office buildings, schools, etc.	41
Stone, clay and glass	61
Electrical machinery and apparatus	30
Transportation equipment	32
Miscellaneous metal products	42
Plastics	63
Other chemical products	34
Jewelry	30

Before the damage from hurricanes Carol and Edna 1954 calendar year earnings were expected to approximate $1.30 to $1.33 on average shares; hurricane damage is estimated at about 10c a share, but this may be amortized over a period of years. 1955 earnings are estimated at $1.30 on the increased number of shares. At the current price around 16, and with a current dividend rate of 90c, the yield is 5.6%. The stock is selling at about 12.8 times unadjusted share earnings of $1.25 for the 12 months ended June 30. These figures compare with an average yield of 5.0% for all electric utilities and an average price-earnings ratio of 15.2

Putnam Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Edward W. Price, Jr. has been added to the staff of Putnam & Co., 6 Central Row, members of the New York Stock Exchange.

With French & Crawford

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Earl W. Baggerly Jr. has become associated with French & Crawford, Inc., 68 Spring Street, N.W. In the past he was with Courts & Co.

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The New Look in Federal Taxation

money and in effect makes a $20 billion perpetual interest-free loan to business deserves our close attention and understanding.

The essence of the new provision is that two-thirds of the cost of an investment in plant or equipment can be written off (that is, deducted from taxable income) in the first one-half of the useful life of the asset. This result is achieved by replacing the straight-line method of depreciation with the "double rate declining balance method" or the "sum-of-the-digits method" or any other equivalent method so long as the allowances do not exceed those provided under the double-rate method. Table I illustrates the operation of the sum-of-the-digits method. On a machine lasting five years, for example, the sum-of-the-digits is 15. In the first year one takes 5/15 of the total cost, the next year 4/15, and so on. In other words, instead of getting 20% a year as under the straight-line method, one gets 33% the first year, 26% in the second year, and so on.

On any given piece of machinery or equipment, or a building, the high depreciation in early years is offset by low depreciation in later years. A good deal of confusion about the net effect of the new provision has arisen out of failure to see that what is true for a particular investment is not true for a company's investment program as a whole or for the economy as a whole. For the company or the economy as a whole, investment is not a one-shot proposition, but a continuous process. Table I shows that as long as a company at least keeps on replacing its investments as they wear out, it will enjoy a larger depreciation allowance and therefore a smaller tax in the years during which it is shifting to the new system. Once the shift is completed, it will go back to its previous level of allowances, having made a net saving in taxes in the meanwhile.

For the economy as a whole, this net addition to depreciation allowances during the next 15-20 years—this partial doubling up—will reduce business tax liabilities by about $20 billion. The reduction will rise from about $400 million in the first year to over $1 billion in the second, then to a peak of over $2 billion by 1960, gradually tapering off until about 1975. After this 15-20 year bulge, the allowances will settle back to the point from which they started. The lost revenue will never be recaptured unless the U. S. economy grinds to a halt and investment stops.

As suggested above, one way of looking at the more generous depreciation allowance is as an interest-free loan equal to the tax savings. Those who feel that depreciation allowances for tax purposes have been too stingy in the past would put it differently: They would say that business has been making an interest-free loan to the government by overpaying its taxes, and this merely rights a previous wrong.

From the banker's point of view, accelerated depreciation has both its dark and its bright side. The dark side is that the $20 billion of additional funds will make business less reliant on banks for their financing. The bright side is that many projects which might not have been acceptable for bank loan financing under the previous depreciation rules will now cross the threshold of financial respectability because the payoff period on investments has been shortened.

Speedier and more flexible depreciation for tax purposes has widespread support, and deservedly so. Nonetheless, the timing of its introduction may be questioned on two grounds. First, might the stimulus not have been more timely when investment and construction had dropped away from the lofty heights they are maintaining currently, and when internal sources of funds were less plentiful? For example, the April, 1954, bulletin of the Federal Reserve Bank of Chicago points out, "In 1954, for the first time since 1949, internal sources of funds—retained earnings, depreciation reserves, and liquidation of inventories—will supply virtually all the money needed by business. On the basis of existing evidence, it appears that the money in capital markets will be of minor importance on a net basis."

The second question of timing relates to our leeway for tax reduction. The $1.5 to $2 billion of tax reduction granted annually from 1956 to 1964 by the more generous depreciation allowance means that there is $1.5 to $2 billion less to be granted by some other method, for example, excise tax cuts or increases in personal exemptions. If it should turn out that an additional tax stimulus to consumer markets is needed after all, the net result may be even larger deficits than those which are now in prospect. To the extent that the new depreciation allowances stimulate higher levels of investment, some of the revenue loss would be offset. But it is difficult to visualize investment levels rising above the all-time record high they have reached in the past few years, especially with excess capacity developing in a number of industries. (See Section "D" below.)

(3) *Other stimulants to investment:* Although the dividend credit and accelerated depreciation are by far the most important investment incentives in the 1954 tax bill, the new philosophy of providing a more favorable tax climate for business finds expression in myriad other provisions of the tax law. Liberalized tax treatment has been provided for pension and profit sharing plans, for employee stock options, for research expenditures, for expense reserves, for corporate reorganizations and distributions, for accumulated earnings, for foreign income, for income of inventors and writers. Tax rules relating to capital gains and partnerships have been liberalized. The 2% penalty tax on consolidated returns of public utilities has been removed; this may be mere legal jargon to some, but the American Gas and Electric Company report of Aug. 2 showed that this change added $450,000 to the company's income of around $15 million for the first half of 1954. A provision which will send many taxpayers scurrying to their insurance agents exempts from a man's estate for tax purposes the proceeds of an insurance policy he pays for but assigns to someone else. This will save taxpayers $25 a million a year in death taxes (or perhaps even more, since a similar provision was estimated in 1948 to cost $100 million a year).

Percentage depletion, an old favorite, has been broadened by including peat and mollusk shells, and deepened by increasing to 23% the depletion allowance for 27 so-called critical minerals which now get 0, 10, or 15% allowances. All other minerals not now covered by law would get a 15% allowance unless commonly used for the same purpose as stone in which case they would get 5%. These provisions will cost upwards of $50 million a year in additional revenue loss.

Another important provision extends the carryback of net business losses from one year to two years. That is, companies realizing net losses in the current year (e.g., some of the automobile "independents") are allowed to carry these losses back for two taxable years and offset them against the taxable profits of those years. The net result of such an operation, of course, is to obtain a tax refund and provide additional financial strength during periods of business distress.

Some revenue will be gained from the closing of a series of minor loopholes and, more importantly, from a further speed-up of corporate tax collections (at least, for the large corporations).

Although the above list is not exhaustive, it covers the major changes in taxes on investment and business which give the Federal tax structure its "new look."

C. Tax reduction in the aggregate

Having put some of the particulars of the 1954 tax program under the microscope, we are now in a better position to take stock of the program as a whole. First of all, what does it add up to, and who gets the tax savings?

The totals are huge, the largest dollar tax reductions of any year in history: $3 billion of individual income taxes and $2 billion of excess profits taxes on Jan. 1; $1 billion of excise taxes on April 1; and $3 billion of tax savings, mostly in the corporate and individual income tax, under the tax revision bill (a conservative estimate of the average loss during the fiscal years 1956-60). This adds up to $9 billion of tax reduction. Even when the $1.5 billion of payroll tax increases on Jan. 1 is subtracted, a net reduction of $7.5 billion remains.

Although this is a nourishing repast for taxpayers by almost any fiscal dietary standards, one should not ovelook the dessert schedules for 1955. Postponed "automatic" cuts in excise taxes on April 1 next year would slice $1 billion off of liquor, tobacco, gasoline, and automobile taxes. The drop of the corporation income tax from 52% to 47% on the same date would cost another $2 billion. Moreover, if the few sections of President Eisenhower's 25-point tax program which were not included in this year's revision bill are enacted next year, this would provide upwards of another half-billion dollars of tax relief.

That these changes substantially alter the shape of our tax structure is self-evident. Many estimates have been presented of how much of the benefit will go to business or corporations and how much to individuals. On this point, I would agree with the comment by Secretary Humphrey to a CIO meeting last May, when he said, "Breaking down the tax revision bill to say 'this helps individuals' or 'this helps business' is meaningless." Inanimate objects like corporations and businesses do not bear taxes. In the last analysis, they are all borne by individuals. Moreover, citing only the number of individuals who benefit from a provision—600,000, 3,000,000, 7,000,000 or whatever number—is also not very meaningful in a situation where we have over 50 million taxpayers. The basic question is rather: Which economic activities are favored, and which are not? Which economic groups are favored, and which are not?

Rushing in where angels fear to tread, and making the kind of assumptions economists call "heroic," I have made rough estimates of the way in which this year's tax bounties are divided among income groupings. Utilizing the best available studies of tax burden distribution (especially the revised Musgrave study, "National Tax Journal," March, 1952), and making adjustments to the current situation, these estimates indicate that the $9 billion gross tax reduction is distributed as follows: $3 billion to the below-$5,000 income group; $2.3 billion to the $5,000-$10,000 group; and $3.7 billion to those over $10,000. Deducting the $1.5 billion of payroll tax increases, which fall largely on the lower income groups either directly or indirectly, the net tax reduction is a little under $2 billion each for the lower and middle income groups and a little over $3.5 billion for the upper income group.

It may help to put these reductions into better perspective by noting that (a) the *below-$5,000 group*, which contains about 74% of the population (more accurately, "spending units"), has been paying about 40 to 45% of total Federal taxes, and will get about 20 to 25% of the benefit of the $7.5 billion net tax reduction: (b) the *$5,000-$10,000 group*, with about 22% of the population, has been paying about 30% of Federal taxes and will get roughly 30% of the benefit; and (c) the *over-$10,000 group*, with the remaining 4% of the population, has been paying the remaining 30% or so of Federal taxes, and will get about 50% of the benefit. Rough as the figures are, they unmistakably bear out what a "seat-of-the-pants" judgment would suggest: namely, that the 1954 tax changes will lighten both the absolute and the relative tax load of the upper income groups much more sharply than that of the lower income groups.

As to the economic activities favored, one should perhaps add a few words to the general conclusion that the stimulation of investment and business dominates this year's action on the tax front. A quotation from the Aug. 2 "Wall Street Journal" serves to identify the beneficiaries of the $2 billion excess profits tax removal. Referring to second-quarter earnings of 56 industrial concerns for which detailed reports were available, the "Journal" said: "Their aggregate sales of over $8.3 billion for the quarter were down 7.2%. Their earnings, before taxes, were $1,175,000,000, down 19.6% from a year ago. But their net after taxes, amounting to $577 million, was up $72.2 million, or 14.3%."

The $1 billion excise tax reduction, though in large part a boon to consumers, has also directly aided many business (e.g., movie houses) which have not reduced their prices by the amount of the tax reduction. The $3 billion income tax reduction undoubtedly gave a boost to consumption, though the $1.5 billion payroll tax increase offset much of this boost, especially in the lower income brackets where tax savings are more likely to go into consumption than into investment.

Finally, the great bulk of the $3.5 billion reduction via tax revision will go, as intended, to investors and businessmen. About $.5 billion goes to the general income taxpayer (other than in his investing capacity) in such reliefs as the extra tax credit for retired persons, higher medical expense deductions, deductions for working wives, and the like. A large part of this will go into consumption. The rest, if the aims of the framers of the tax legislation are realized, will flow into savings and thence into investment.

D. "Incentives versus markets"

Having identified more specifically the activities and income groups which are favored by recent tax legislation, we return to the question: will the new approach work? Is the shift of emphasis from markets to incentives the tonic needed to restore the economy to its full potential, both in the short and in the long-run?

Treasury Secretary Humphrey clearly believes that it is. In his own words (taken from his CIO speech and his testimony before the Senate Finance Committee), "The most important thing about the tax revision bill is that it will stimulate investment of savings to help new businesses to start, old businesses to modernize, and so create more and better jobs and better living for everyone." "The features in this tax revision bill which make it more attractive to the man who saves money to invest, or more attractive for the businessman to replace his present inefficient machinery, are the sort of things which can help this economy keep growing."

With respect to growing unemployment in basic manufacturing industries, the Secretary said: "We cannot have prosperity in America unless the heavy industries have prosperity. The buyers of the products of heavy industry —generators, turbines, etc. — are the businesses and the people who invest their savings, who already have been given general income tax relief. But provisions of the tax revision bill which will stimulate investment will directly stimulate activity and the making of more jobs in the basic manufacturing industry. . . ."

Reflecting on Secretary Humphrey's faith in the effectiveness of incentive tax measures to stimulate the economy, one is

TABLE I

Illustration of Operation of New Depreciation Method for Tax Purposes Under the 1954 "Technical Revision Tax Bill," H-R-8300 *

$1,000 Machines (5-Yr. Life)	Depreciation Allowances Before New System — Year 0	*Depreciation Allowances Under New System During Transition Period — Year 1	Year 2	Year 3	Year 4	Year 5	†Depreciation Allowances After New System Is Fully Operative — Year 6
Old No. 1	$200	New No. 1 $330	New No. 1 $270	New No. 1 $200	New No. 1 $130	New No. 1 $70	"New New" No. 1 $330
Old No. 2	200	Old No. 2 200	New No. 2 330	New No. 2 270	New No. 2 200	New No. 2 130	New No. 2 70
Old No. 3	200	Old No. 3 200	Old No. 3 200	New No. 3 330	New No. 3 270	New No. 3 200	New No. 3 130
Old No. 4	200	Old No. 4 200	Old No. 4 200	Old No. 4 200	New No. 4 330	New No. 4 270	New No. 4 200
Old No. 5	200	Old No. 5 200	Old No. 5 200	Old No. 5 200	Old No. 5 200	New No. 5 330	New No. 5 270
Total	$1,000	$1,130	$1,200	$1,200	$1,130	$1,000	$1,000

*This example uses sum-of-the-digits accelerated depreciation schedule with some rounding off for the sake of simplicity. Double-rate declining balance method would have similar net effect but different distribution of deductions over the 5-year transition period. Actual transition period to new method for the economy as a whole would be 15 to 20 years. †And so on, as long as one machine is replaced and one is dropped each year.

moved to examine the assumptions on which it is based. The first assumption is that taxes are an important factor in influencing investors and businessmen to put their funds to work rather than holding them idle. The second assumption is that the answer to the needs of a lagging economy are to be found in investment rather than consumption stimulus. Let us examine each of these in turn.

What evidence do we have concerning the deterrent effect of taxes on business investment? The most extensive research ever undertaken on this subject is the Merrill Foundation Project that has been going forward at the Harvard Graduate School of Business Administration during the past 10 years or so under the direction of Professor Dan Throop Smith, now on leave as Assistant to the Secretary of the Treasury in charge of tax matters. Although one cannot do justice here to the excellent series of books which present the results of the Harvard surveys of the effects of taxation on individuals and businesses, we are fortunate in that the essence of the findings was reported to the American Economic Association meeting last December. Professor J. Keith Butters, Associate Director of the project, stated some of these findings as follows:

"The first, and most significant, finding is that the empirical evidence of these investigations substantiates none of the extreme charges that are frequently made concerning the harmful effects of taxation on the economy.

"If a general statement has to be made in flat unqualified terms, the striking fact is that, by and large, the tax structure seems to have had only a relatively limited and specialized impact both on the basic incentives which motivate the private economy and on the structure of the economy. The effects of the tax structure on the aggregate levels of employment and real income realized over the last 10 to 15 years have been even more limited, as is obvious from the record levels achieved in both employment and income during this period.

"The more basic and fundamental the decision and the greater its significance for the effective functioning of the economy, the more likely are non-tax considerations to be dominant. So far as incentive effects are concerned, taxes are more likely to determine how a thing is done than they are to determine what or whether an action is taken.

"Just as there is little evdence that individuals in the aggregate have gone on an investment strike or have significantly reduced the intensity of their effort and activity because of taxes, so there is little evidence that taxes have curtailed corporate and business investments to undesirably low levels in postwar years."

Professor Butters made clear that while taxes have had little adverse effect on incentives, they have curbed investment by cutting down the supply of investable funds. His colleague, Professor John Lintner, noted that this curtailment of funds woud be more serious in a period of business weakness than it has been in most of the postwar period, when taxes helped to restrain inflation. All in all, however, their finding that impairment of investment incentives by taxation has been extremely limited is highly significant for tax policy. In fact, one sees a bit of irony in the fact that precisely at the time Professor Smith was helping the Treasury Department put the finishing touches on a tax measure designed, above all, to remove tax deterrents to investments, his associates on the Harvard project were presenting research results showing that tax deterrents are far down the list of factors important to investment decisions.

Of course, the argument can be given a different turn, along such lines as these: that even if the high rates of tax were not significantly retarding investment, carefully structured tax reductions and tax concessions might nonetheless have a distinctly stimulative effect. This could result either from taking advantage of the explicit tax-incentive provisions of the new law or from the general atmosphere of business confidence generated by the series of tax reliefs and adjustments. This would suggest that the situation is somewhat asymmetrical, in other words, that while high or rising levels may not significantly deter investments, the lowering of taxes, especially if done the "right way", can have an important effect in stimulating investment, risk-taking, and managerial effort.

To complete the appraisal, let us assume that, either through spicific benefits to investors or by improving the general investment climate, the new tax provisions will in fact encourage investment. Is added investment the right prescription for the economy's ills? The firm position that it is, has already been quoted. The essence of this view is that if investment is maintained at high levels, the economy will remain fully employed, consumption will take care of itself, and economic growth will be accelerated. To balance the picture, some misgivings should also be cited.

In a new study, *Opportunities for Economic Expansion*, published last month by the National Planning Association (among whose officers are H. Christian Sonne, M. H. Hedges, Beardsley Ruml, Arnold Zander, and Harry A. Bullis), the unsatisfactory performance of our economy during 1954 (when production is running about $15 billion a year below the economy's potential) is laid primarily at the door of consumption and secondarily at the door of investment. The matter is put as follows:

"If government expenditures continue to decline as scheduled under present programs, private demand must rise substantially not only to lift economic activity from the present slack to a full employment level but also to provide markets for future growth. ... With the present outlook for incomes, the existing firmness in prices, and a net tax reduction which gives the masses of consumers only small relief, there is no assurance that the required rise in consumption will take place. ... If our economic analysis is correct, a strong case can be made for further tax measures to strengthen consumer purchasing power. A reduction could be made in excise taxes or in the individual income tax."

In a statement submitted to the Senate Finance Committee on the 1954 bill, Professor Alvin Hansen expressed doubt that it is possible and desirable to maintain the rate of investment achieved in the past eight years. During those years we have put in place $240 billion in new producers' capital — in manufacturing, mining, transportation, public utilities, agriculture, and other business ventures. This year, investment is running at about $38 billion, or $28 billion if we leave out agriculture and outlays charged to current account. He characterized such levels of investment as "high enough not only to take care of new technological development and the normal growth requirements, but also to make good the accumulated shortages caused by war." He cited excess capacity as a growing problem, and added that "the recent rate of capital formation is clearly higher than the long-run maintainable rate." He cautioned against "recklessly adding more and more plant and equipment without regard to an appropriate balance between capital stock and consumption. There is a danger in artificially stimulating capital formation in producers' plant and equipment without regard to the problem of final demand." He advocated more public investment in housing, schools, hospitals, and the like, combined with a program of consumption stimulus through excise and income tax cuts.

The lines, then, are not only clearly drawn in theory but, because of the about-face in tax policy in 1954, are also more clearly drawn in practice than is usual. All of us have a high stake in the results. Regardless of one's position in the controversy over the appropriate economic emphasis in national tax policy, one can join in hoping that the right balance will be struck: that a combination of fiscal policies will be developed which gives the private enterprise economy the kind and degree of support it needs to deliver full employment, economic stability, and economic growth.

EDITOR'S NOTE: Foregoing is second of two lectures by Professor Heller; the first appeared in the "Chronicle" of Sept. 30, on page 20.

Carolina Dealers and Councils Meet at Pinehurst

Members of the Securities Dealers of the Carolinas, the North Carolina Municipal Council and the South Carolina Municipal Council will hold their annual joint meeting at the Mid Pines Club, near Pinehurst, North Carolina, on Oct. 26 and 27, 1954. Membership of these three groups is actively interested in municipal and corporate securities of the two Carolinas and consists of investment dealers, banks and financial institutions in eighteen States. A full program of business discussions and entertainment features has been arranged.

Mr. Charles R. Vance, of Greensboro, President of the Securities Dealers of the Carolinas, will preside at the business session of that group on the morning of Oct. 26. Immediately following, the members of the North Carolina Municipal Council will hold their business session with Mr. E. B. Wulbern of Jacksonville, Florida, Chairman of the Board of the Council, presiding. A report of the North Carolina Municipal Council's activities during the past year will be made by Mr. W. Kelvin Gray of Raleigh, President of the Council. Featured speaker of the morning will be Mr. Lloyd Griffin, Executive Vice-President of the North Carolina Citizens Association, who will discuss the "Fiscal Policies of the State of North Carolina." Officers and Directors of the two organizations will be elected at these sessions.

A business session of the South Carolina Municipal Council will be held on Wednesday morning, Oct. 27, with Mr. Mark A. Smith of Richmond, Va., Chairman, presiding. Reports on the work of the South Carolina Municipal Council will be made by Mr. W. Kelvin Gray and Mr. W. Herbert Jackson, President and Vice-President, respectively of the Council. Featured speaker of the meeting will be Mr. B. M. Edwards, Chairman of the Board of Directors of the South Carolina National Bank, of Columbia, S. C., who will speak on "Business Conditions in South Carolina".

A Golf Tournament at the Mid Pines Club golf course will be held on Tuesday afternoon followed by a Social Meeting of all members and their wives that evening.

Joins Curtiss, House

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Richard L. Henn is now associated with Curtiss, House & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges. In the past he was with Paine, Webber, Jackson & Curtis.

World Economy Attaining Sound Basis: Rooth

Ranking official of International Monetary Fund declares world trade must be transacted with minimum of restrictions; and notes marked increase in Fund's constructive activities.

In presenting the ninth Annual Report of the International Monetary Fund, Ivar Rooth, the Managing Director of the Fund, recalled the importance of the principle of international responsibility for international financial problems which was recognized 10 years ago when the establishment of the International Monetary Fund was approved. Although there are still uncertainties ahead, he stated that the world economy was now, by and large, being placed on a sound basis. There had been striking increases in production. The volume of world trade was larger than before the war. In many countries domestic savings were now adequate or nearly adequate for investment needs. Remarkable progress has been made in checking inflationary trends. High levels of income and favorable trade conditions in the United States and elsewhere have provided larger markets in which other countries could sell more exports. Gold and foreign exchange reserves are being restored.

Ivar Rooth

Convertibility Crucial

Contemporary payments problems could not however be regarded as finally solved until the currencies of the great trading countries were convertible and until world trade was conducted with a minimum of restriction and discrimination. When national policies were adopted in harmony with the requirements of convertibility, all countries could share more fully the benefits of expanded world trade. Convertibility would then become a powerful instrument for achieving internal stability, external balance, increased production and trade, and higher standards of living. The full benefits associated with convertibility would be contingent upon steady adherence to the policies which make convertibility possible. If the trade of the dollar countries is to expand, after convertibility is more widely adopted, they must also expand their imports and their foreign investments. And the economic and financial policies of countries whose currencies were formerly inconvertible must be such as permit appropriate responses to the international price mechanism.

It cannot be expected, Mr. Rooth said, that all countries establishing convertibility would be able immediately to get rid of all their exchange restrictions and discriminations. Means would have to be devised for determining how far restrictions might temporarily be maintained.

Mr. Rooth briefly referred to the techniques developed by the Fund for ensuring that its members can meet their needs to draw upon its resources, and particularly to the stand-by arrangements which give members the assurance of a right to draw up to a stated amount during a specified period.

For the less developed countries, he said, the solution of their payments problem depends mainly upon the adoption of policies that would ensure steady development without sacrificing stability. Many of them have increasingly come to realize the disappointing results of attempting rapid development through the use of inflationary methods. The Fund's resources are available on the same basis to underdeveloped and to developed countries, and the Fund is anxious to help its members in examining the concrete measures necessary to maintain stability in the course of development.

Increase in Fund's Transactions

Mr. Rooth noted the increase in recent years both in the volume of currency purchased from the Fund by its members, and in the volume of members' repayments to the Fund. Of exchange transactions amounting to about $1,165 million undertaken by the Fund, about $730 million had already been repaid, either through direct repurchases or through the resale by the Fund of a currency acquired by it in earlier transactions.

Finally, Mr. Rooth observed that while the impact of the outside world upon national economies was always important, the remarkable improvement in the past few years in the world payments situation had shown how much could be achieved by the direct initiative of countries determined to deal immediately with their own problems. The Fund's technical and financial assistance would continue to be available to members in their efforts to solve their problems through constructive policies directed toward domestic stability and international balance.

Phila. Exch. Firms Sponsor Radio Series

PHILADELPHIA, Pa.—A group of prominent stock exchange firms in Philadelphia have launched a series of radio programs over Station WFLN through Doremus-Eshleman Co., Philadelphia advertising agency.

The series, using two half-hour "pops concerts" weekly on Tuesdays and Thursdays at 9:30 p.m. along with minute announcements mornings and evenings, is aimed at stimulating interest in systematic savings through investment in listed securities. The series will begin Oct. 11.

Firms participating are: Eastman, Dillon & Co.; Hecker & Co.; Penington, Colket & Co. and Woodcock, Hess & Co., Inc., all of Philadelphia.

Joseph Walker Admitting

Walter Reid Wolf will become a limited partner in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange, effective Nov. 1.

With Merrill Lynch

(Special to The Financial Chronicle)

STAMFORD, Conn.—Cyril M. LaVoie is now with Merrill Lynch, Pierce, Fenner & Beane, 80 West Park Place.

Joins Merrill Lynch

(Special to The Financial Chronicle)

JACKSONVILLE, Fla. — Wallace O. Sellers has become connected with Merrill Lynch, Pierce, Fenner & Beane, 116 West Forsyth Street.

With Frank D. Newman

(Special to The Financial Chronicle)

MIAMI, Fla. — Frank D. Newman, Jr. has joined Frank D. Newman & Co., Ingraham Building.

Maurice Hudson

Maurice Hudson, Corporation and Securities Commissioner of the State of Oregon, passed away Oct. 3 following a heart attack.

Continued from first page

Immediate Economic Outlook And Basic Growth Forces

ment Security Agencies. I wish I were better qualified to discuss the manifold problems confronting your offices, but these are beyond the scope of my special knowledge and experience. I expect to leave here in a few days, however, with the latest information and a greater insight on these matters.

Today I have been asked to discuss a more general subject, but a subject having a direct bearing on the nature and magnitude of the task of those administering employment security programs. My remarks will deal with the general economic outlook. I would like first to sketch some of the important characteristics of our dynamic American economy which tend to be forces for stability and growth in the long run. Secondly, I would like to say a few words about economic prospects for the immediate future. Along the way we will suggest some of the problems which no doubt are receiving the attention of your agencies.

Underlying Characteristics of the American Economy and Their Longer Run Significance for Employment Security

An understanding and appreciation of seven characteristics of the American economy, I believe, are fundamental to an analysis of the economic outlook—both short-run and long-run.

First is the phenomenal population growth in the United States. Our population now stands at 163 million. By 1965 it is expected to reach 190 million. This increase in just over a decade is equivalent to double the entire population of Canada in 1952. On the basis of presently projected rates of growth, population should total 220 million in 1975. Each year in the next decade we will be adding over one-half million more persons to our labor force. These people must find productive jobs. While the increase in the number of workers is important, the increase in the number of unproductive consumers will be even more spectacular in the next decade or so. For example, the number of children between the ages of 14 and 17 will go up nearly 60% by 1965. These youngsters, I find as a father, are heavy consumers but not always very productive. The number of retired or partly retired elderly people is rapidly increasing. This changing composition of the population should be stimulating to demand for national output during the next decade, if not to the savings accounts of the family breadwinner. But it should be noted that the demands upon your employment service will greatly expand 10 years from now as these younsters reach working ages.

A second stimulating factor is increased productivity. We are experiencing a virtual industrial and agricultural revolution in America. Output per man-hour in recent years has advanced considerably above the 2% annual 1910-1953 average. "Fortune Magazine" economists, for example, estimate that nonagricultural productivity is increasing at a rate of 5% this year with the increase estimate at 9% in manufacturing alone. Experts tell us that during the next decade, because of high rates of investment, research, and expanding knowhow, agricultural productivity should rise 3% per year, while in industry the increase should be 2½% a year at the minimum. This means that the long-term trend of farm labor surplus will continue. Instead of nearly seven million workers on farms as today, by 1965 this figure may be down to 5½ million.

The change in occupational requirements will significantly affect your activities. You will be called upon to help more and more of the farm population obtain jobs in industry. But those who remain on the farm must be much more highly skilled. Increasing numbers of workers in all fields of endeavor will be called upon to make employment adjustments — learn new skills, move to new locations, and the like.

Third, hours of work per year will undoubtedly continue to decline. In America we have seen a substantial reduction in hours of work. The 40-hour week is standard today. One important labor organization has recently announced its support for a 35-hour work week. There is little doubt but what all of us will prefer taking some of the increase of productivity in the form of more leisure time. The three-day week-end could become standard in industry before many years. This will permit spreading work among more people but will present adjustment problems for millions.

The economic and social implications of this trend cannot be minimized. It may bring important changes in consumption and investment. There will be increased expenditures for leisure time equipment — fishing, boating, hunting, hobby shops, gardening —and for educational and cultural advancement.

A fourth important characteristic of the American economy is the competitive enterprise spirit. Not until one experiences firsthand the restrictive practices and restraints on production and distribution in other countries, does one fully appreciate the dynamic force of a competitive system such as we have in the United States. It is probably the most important single factor explaining the productivity advances, and the ever-increasing volume and variety of goods and services available to consumers at prices they are able to pay. These competitive forces explain why we will always have a dynamic labor market—to supply workers to new firms and to supply jobs to workers in businesses that could not survive. We must pursue programs which will facilitate and strengthen competition and provide maximum rewards for initiation and enterprise.

The fifth sustaining force which I want to emphasize is the demand on the part of the average American constantly to raise his level of living. This objective, however, is matched by a willingness to work hard to accomplish it. In recent years housewives, youth and the aged have been taking jobs whenever they were given an opportunity, in order to supplement the family income and buy that television set, refrigerator or what-not. It has not been uncommon for the breadwinner to take a second job to increase the level of living of his family. This determination to improve one's housing, food, clothing and culture is obvious today.

Some criticize social legislation, charging that it encourages shiftless and irresponsible citizens who look to a benevolent government or private employer for subsistence. But I am inclined to believe there is less spirit for "getting something for nothing" today than in the speculative boom-and-bust periods that preceded these social and economic reforms. The implications of this characteristic are fairly clear. It means a restlessness on the part of most people and pressures to make modifications in public and private programs in ways calculated to improve living conditions and individual freedom.

A sixth important characteristic of our economy—which unfortunately promises to be with us for years to come—is the cold war. This struggle means a huge direct demand for production on the part of the Federal Government to meet military security requirements. But it has far-reaching implications for general economic policy. The thesis of some people that the economy must experience significant economic fluctuations to strengthen the basic structure and eliminate the inefficiency and waste cannot be accepted today. Our position of world leadership in a struggle for survival against imperialistic communism necessitates that the American ecomony remain constantly strong. We cannot afford marked deviations from full employment. We must fully utilize our human resources, for only through production can we be militarily strong, improve our level of living and provide direct and indirect proof to the rest of the free world and the vast uncommitted areas of the world that our way of life is best. I am of the opinion that one of our best weapons in this struggle is technical assistance to underdeveloped areas. We can learn from others as well. This interchange of technical know-how should receive increasing emphasis and push from all those engaged in employment service programs.

A seventh and final factor, important at present and particularly in the future, is the development of skill and new machinery for making economic adjustments. In recent years government and private industry have developed new machinery and an ability to make adjustments in economic programs in the interest of economic stability and growth. I have already referred to the Employment Act of 1946. The role of State Employment Security Agencies is very important.

As I look back over the postwar period, I think we can all say with some satisfaction that both public and private institutions have conducted themselves generally in a responsible way. We have had no postwar depression and none is in the offing. It is true that we had some serious inflation resulting from pent-up war demands and the Korean emergency. In retrospect, however, policies for providing a smooth transition from war to a more peace-time economy have been commendable—by any measure. Significant changes were made in the government's tax, social security, and housing programs during the recent session of Congress. Action in these and other fields should provide additional incentives and flexibilities in the interests of economic stability and expansion in the years to come. No one would say that these steps alone are enough to assure dynamic economic growth or to guarantee no further recession. I feel confident, however, that any Congress and that State governments generally stand ready to take additional steps if the general economic situation should deteriorate.

I believe these seven factors which characterize our American economy are reasons for optimism with respect to the longer-run economic outlook. While I would not make any predictions, national production on the basis of what would appear to be reasonable projections of population, labor force, hours of work, and productivity could be running at an annual rate of $535 billion in 1965. This would be an increase of approximately 50% from present rates. Aggregate demand of consumers, business investment and governments could be sufficient to balance the economy at these levels a decade hence, provided the rate of individual savings returns more nearly to prewar rates, provided private investment keeps pace with expected technological improvements, and provided outlays for housing and the traditional government services catch up and improve in line with long-run trends of the past. This assumption of economic growth, of course, will call for important adjustments in programs from time to time. I have already expressed confidence in the ability of public and private groups and individuals to make these adjustments in the future as they have in recent years.

It is to be expected, of course, that we will have some economic fluctuations. Government and business must constantly strive to improve their programs in the interests of stability and growth. Also they must be on the alert to make sure that deviations from stability are detected early and that positive and adequate steps are taken to bring the economy back on the upward growth trend.

The longer-run economic outlook we have just reviewed leads, it seems to me, to a number of conclusions concerning employment security activities. Obviously there will be a larger labor force and therefore more people to place in jobs. There will be dynamic changes in labor market requirements, particularly on the farm, which indicate that you will need to secure more highly trained applicants for farm jobs and probably generally more trained people of a specialized nature in nonagricultural production. These people will likely work a shorter week and may receive higher real wages than today, because of technological progress. There will be more older people to place; more women seeking jobs, and considerably more younger workers joining the labor force each year. These characteristics indicate greater demand for "tailor-made" placements, for counseling, and for testing. Movements between occupations, industries, and geographic localities will increase. This may mean greater loads on unemployment insurance facilities to take care of temporary dislocations and a greater load on inter-area, inter-state, and inter-regional clearance facilities.

On top of this regular workload there will likely be superimposed a sizable defense effort. This means that highly specialized personnel will continue in demand and that some significant proportion of the new entrants into the labor force will continue to be withdrawn for military service.

In brief, future long-run economic trends will make employment security work even more important. Not only will there be expanding needs for all of the phases of placement work but there will be expanding needs for your specialized programs. As is obvious, rapid, accurate and efficient handling of unemployment compensation claims will continue a primary program.

Immediate Prospects and Significance for Employment Security

What about the current situation and what are the immediate economic prospects? The American economy has been passing through a transition from high levels of war and defense spending to lower levels of government outlays. We have been in a recession. Industrial production declined 10% in the last year. Unemployment exceeded 3,700,000 last March. In September there were 145 major and minor labor surplus areas as compared with only 42 one year ago. The parity ratio in agriculture—that is the percentage ratio of prices received to prices paid—fell to the lowest point in 13 years.

In recent weeks the trend downward in economic activity has been halted and we have been on a relatively stable plateau. Unemployment has fallen slightly, industrial production has picked up a point, and retail sales have been reasonably strong. Construction has been breaking all records and in September was running 8% above a year ago.

This leveling off of economic decline has been due, in part, to prompt action on the part of private economic interests with respect to inventory policy, price policy and employment policy. It has been due also, in part, to the built-in stabilizing programs instituted by Federal, State and local governments during the past quarter century. Your agencies' role in these programs has already been mentioned, but I would emphasize the stabilizing effects of the unemployment insurance program which has bolstered consumer purchasing power in a period of declining payrolls and overtime. The leveling off has likewise been substantially aided by the $7.4 billion of Federal tax reductions and revisions and easier money and credit policies instituted by Federal monetary authorities. Fortunately, the economies of the other free nations of the world—particularly Western Europe, which suffered so severely as a result of our 1949 recession—have not suffered during our recession of the past year. Their economies have continued to expand.

With respect to the immediate outlook, there are some indications which I would like to mention. First, unless international conditions worsen we can expect a continued decline in Federal expenditures and hence governmental demand for goods and services. Federal expenditures in the current fiscal year will decline perhaps $4 billion below the last fiscal year. At the same time, Federal tax receipts will be down at least $5 billion, with a resulting deficit of close to $5 billion, as compared with $3 billion last year. While Federal Government participation in the economy will be at a somewhat lower level than in recent years, the Federal Government will be pumping out more money than it takes and thus it will provide a net additional stimulation to the economy.

State and local expenditures will continue upward, probably increasing $2 billion in the next 12 months, as compared with the last year, thus offsetting about one-half the decline in Federal purchases of goods and services. On the basis of contracts and new starts, construction gives indications of holding at present record levels for the immediate future. Business purchases of new machinery and equipment, however, are expected to continue downward. The Department of Commerce recently released a report on its survey of expenditures for new plant and equipment for the balance of this calendar year, showing a 6% decline from last year. Consumer expenditures should continue to increase gradually, offsetting, in part, the declines of Federal expenditures and business investment expenditures. Consumer income available for spending has held up because of tax reductions and unemployment compensation. Consumers have shown signs of spending a larger portion of their income than earlier in the year.

Inventories have been declining at an annual rate of about $4 billion for nearly a year. This is a significant factor in explaining the decline in total production from the peak rates of last year. How long inventories can continue to decline is difficult to say. In the automobile and other consumer durable areas new models are expected to be so improved that valiant attempts are being

made to clear stock of old models at this time. The 1955 models will begin reaching the markets soon. Sooner or later retailers—and wholesalers too — will find that they can't do business from an empty wagon. Thus there will come a time, and I think we are already approaching that time, when the decline in inventories will stop. When that happens, if consumption and investment continue as presently projected, there could be a moderate step-up in national production once again. Unfortunately our inventory data are inadequate to make any categorical statements.

Agriculture continues to be a major problem; there is no easy solution in this area in the immediate future. The serious drought in many regions of the country has greatly intensified the problems of the farmer. Solution ultimately will come from increased demand for food and fiber for the growing population, from rising living standards, from restoration of export markets, from further reorganization and technical advances in agricultural production, and from migration of underemployed agricultural workers to more productive pursuits.

I would like to emphasize the importance of increasing aggregate demand for national production. Only if business, consumers and governments increase their demand can we have expanding employment opportunities. There is no solution in redistributing the same size pie. That pie must be made bigger. If we stand still demand-wise we actually slip—when measured in terms of unemployment—because of our growing labor force and our increasing productivity. I like the way Joe Loftus put it in the New York "Times" a few days ago: "One of the facts of economic life that hardly needs saying is that as long as people multiply, their economy has to expand at least as fast—or else. As the White Queen told Alice, 'It takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that'."

In conclusion I would like to emphasize the important role of State Employment Security Agencies. Situated as you are at the community grassroots level, you are the first to feel seasonal and cyclical problems of either labor shortage or surplus. You are the first to feel the effects of labor turnover, technological changes and labor force growth. You provide vital labor market information needed by your local communities, your States and your Federal Government to formulate, legislate and administer intelligent economic programs. Through your reports and your day-to-day experiences, and through your cooperation, public and private agencies can adjust their own programs in the interest of expanding employment opportunities, productive employment opportunities, which are a basis for our economic growth.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George W. Richardson is now with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Exchanges.

With A. M. Krensky

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Richard J. Boss is now with Arthur M. Krensky & Co., Inc. of Chicago. He was formerly with Straus, Blosser & McDowell.

With Robert P. Vick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Louis Chaet is affiliated with Robert Vick & Company, 33 North La Salle St.

Continued from first page

As We See It

official explanation of their attitude is an item which deserves more attention than it is likely to get from a good many.

Managed Economy First

The references made to the state of the British economy will doubtless be taken by many to mean merely what many of our protectionists mean when they talk about the need for protection against "slave labor" and all the rest. Probably, this general notion was embodied in what the British had to say, but we may be sure that it was not all that was included in the reference. It was John Maynard Keynes, later Lord Keynes, who popularized the notion of a "closed economy" as a means of making it feasible for a country to manage its own economy as it wished in a world made up of many countries and many economies with many notions as to what they wanted to do at home.

It was Franklin Roosevelt who seized upon this idea and made it politically popular in this country, and it was devotion to this notion of a "closed economy," adhered to stubbornly by the American President, which stood so effectively in the way of anything in the nature of free, or reasonably free, interchange of goods, currency relations, and convertibility among the nations in 1933. The famous cable sent by then President Roosevelt will never win any prize for erudition or understanding of things economic, but it made clear beyond peradventure of a doubt that the American Government had no intention of entering into any arrangement with any foreign government which might embarrass our economic managers here at home, who believed that they knew how to pull the strings to make the economy behave as they wanted it to behave.

Britain was the home of the redoubtable Lord Keynes, and he has left a deep impress upon his land. The present government in that island nation probably is no great admirer of Keynes, but as much can not be said of the mass of voters in Britain. And, as a matter of fact the Churchill Government is far from free of faith in many of the tenets of the followers of managed economy notions. It is one thing to talk of the advantages of multi-lateral trade, exchange ratios left to the market place, and a general system of at least semi-laissez-faire such as existed in the latter part of the 19th century; it is quite another to subordinate all ideas and plans for managing the economy of Britain and, as would be necessary, to return to the type of international economics that existed prior to World War I.

It may well be doubted if the situation is greatly different in this country. President Eisenhower has repeatedly asked for a liberalization of our tariffs and other trade restrictions. There is no reason to doubt his sincerity in this matter or his determination to have his way, but it is plain as a pikestaff that there are many in places of influence here who have no part in the President's thinking on this matter. This state of affairs, always just around the corner, is now particularly pronounced by reason of a joining of forces by those who believe in protection as a national policy with those who do not wish anything to interfere with our management of our economy to suit ourselves.

Full Employment Act an Impediment

The thoughtful observer will not fail to take note in this connection of the fact that politicians, political parties, and a distressingly large proportion of influential figures throughout the land are supporters of the so-called full employment act of 1946. It should be obvious to all as it is plain to the thoughtful that there is a fundamental incompatibility between the philosophy of this act and any system of free international economics, whether it be free and full convertibility of currencies at rates determined by the market, or any system under which goods and services may cross national boundaries with reasonable freedom. A certain dim awareness of this simple fact may be responsible at least in part for the repeated suggestions heard from advanced thinkers about some sort of world system of planned economy, and a world-wide New Deal or Fair Deal.

The fact is, in any event, that until we and at least the majority of the other major countries of the world are ready to give up the basic ideas embodied or implied in the full employment act and supporting public statements, or at least relegate them to a place of secondary importance, we may as well stop dreaming about multi-lateralism, and currency convertibility in the sense in which these terms have always heretofore been used. We are merely deceiving ourselves when we think we can have all these things and at the same time do what we please about inflation, the pampering of labor, wasteful public expenditures and all the rest.

Now that the much publicized campaign for "convertibility" which got under way a number of months ago has come to an end which should have been foreseen from the first, it would be well if we in this country and our friends in other lands would get down to earth on these basic questions.

Monetary Policy Abroad

Federal Reserve Bank of New York, in its review of recent monetary policy changes abroad, finds it has been used in less industrially developed nations in combating inflationary forces and adverse payments positions.

The Federal Reserve Bank of New York, in the October issue of its "Monthly Review of Credit and Business Conditions," furnishes a survey of recent monetary policy changes abroad and draws the conclusion that monetary policy, even in the less industrially developed nations, is playing an enlarged role in the struggle to combat inflationary forces and remedy adverse payments position. As stated in the "Monthly Review":

"Monetary policy has clearly assumed a larger role during the past few years in the world's industrial countries, as well as in some of the less industrially developed nations. Moreover, the success that seems to have attended its use in combating inflationary forces and adverse payments positions has generated widespread interest in its employment as a flexible instrument to foster balanced economic expansion. This has in turn given rise in many countries to a growing desire to undertake institutional and legal changes that would augment its effectiveness.

"These developments must not, of course, be overstated. In the first place, recent experience suggests that, while monetary policy can be flexibly and quickly adapted to counter incipient disturbances, it is necessary to employ other types of measures in conjunction with it to rectify serious imbalances. Secondly, it is still true that, among most primary-producing countries, monetary measures play a largely subsidiary role relative to other measures in combating inflationary conditions and balance-of-payments disorders: This is attributable, to a considerable extent, to the relatively undeveloped state in many of these countries of the market and financial mechanims upon which the effectiveness of monetary control must rest.

"Yet is is true that the enlarged role of financial, as distinct from barter, transactions has been a prominent feature of many primary-producing countries over the postwar period. This development has, of course, increased the potential usefulness of monetary policy. Moreover, in some cases—including both primary-producing and industrial countries—these market and financial developments have come not merely as normal consequences of economic expansion and diversification, but also as the result of conscious efforts on the part of government and monetary authorities to foster such developments. In Canada, action has been taken to enlarge the role of money market transactions; India has increased the opportunities for commercial bank rediscounting of commercial paper; and a number of countries are now attempting to establish central banks.

"The role of monetary policy has also been enhanced by certain other recent developments. For instance, there appear to have been more conscious efforts in some countries to support monetary policy with other forms of economic policy. Financial observers have suggested, for example, that debt-management operations in Britain in 1954 have been partly directed toward the fulfillment of certain monetary objectives—in particular, a reduction in interest rates. Furthermore, some countries, such as the Netherlands, as already noted above, have recently made efforts to provide a firm base for more effective monetary measures in the future. In Canada, legislative changes have been effected in the powers of both the central bank and the chartered banks, including provisions for variable bank reserve requirements and for enlarging the potential scope of central bank open market operations.

"The above consideration thus underscore the enlarged role of monetary policy during recent years as well as the development of conditions that have been conductive to its more effective use. They also point, moreover, to the conclusion that monetary policy may very well become even more important than in the recent past. The scope for its employment will undoubtedly be broadened in the developing countries by the growth of financial markets. In addition, opportunities for its more intensive use will probably emerge among the world's more mature economies, as financial institutions and other groups tend to become increasingly aware of the objectives of the monetary authorities and increasingly sensitive to the actual measures used to attain these objectives. Finally, an increased reliance on monetary policy will almost inevitably follow in the wake of further progress in relaxing domestic and external direct controls."

Joins Chas. W. Scranton

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Norbert W. Church has become connected with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

G. W. Allen Co. Opens

COLORADO SPRINGS, Colo.—G. W. Allen & Company has been formed with offices at 222½ East Pikes Peak Avenue to engage in the securities business.

J. A. Hogle Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Herbert G. Comer has become affiliated with J. A. Hogle & Co., 110 Pine Avenue.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Francis O. Lirette has become affiliated with Paine, Webber, Jackson & Curtis, 50 North Garfield Avenue.

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Britain's Present Position In Foreign Investment

the United Kingdom, so as to show that we have not shed our mantle, that we are going forward again on the path which made our greatness, and will ensure it in the future.

The great bulk of U. S. investment overseas is still on private account, and I think this is quite a remarkable figure. United Kingdom fresh long-term investment overseas has, since the end of the war—that is, between 1946 and 1953—averaged at least 200 million sterling a year. This represents over 1½% of the United Kingdom national income in that period. I am sure my friend, Mr. Humphrey, wouldn't mind me putting the point in perspective. If U. S. investment abroad were flowing in the same proportion to the U. S. national income, it would amount to over five thousand million dollars per annum. That is a very much greater figure than it is at present. Let us live in hopes. May you, sir, cast your bread upon the waters, and it will return to you.

There has, of course—and this I must remember in the presence of so many distinguished economists—been what is called in basic English a certain degree of disinvestment, not all of it voluntary. So that the net investment averaged about 120 millions.

I think it is very satisfactory that there should have been this resumption of the United Kingdom's traditional lending for development overseas at so early a stage after the herculean efforts that have been made in the last two wars, and this has, of course, been made possible by the singular generosity, at a critical period, of the people and administrations of the United States and of Canada, without which we could not have made this recovery.

When Canada is mentioned, we too are beginning to resume our share in this great market which is of such vital importance not only to us but to the world as a whole.

Recently, despite the very heavy burden of rearmament we are carrying, the United Kingdom earned a substantial surplus on current account, and thus we have been able, and hope to be able, to maintain a substantial capital outflow.

I think it may not be conceited to say—at any rate, it has very little to do with me—that the history and experience of the United Kingdom have built up in the City of London an efficient and skilled machinery for lending money abroad. The real limitations of lending are the limitations imposed by the rate of internal saving and the state of the balance of payments. But we have made a special effort to provide capital for development in the Commonwealth, and here's an interesting figure:

Grants and loans in 1953 for Commonwealth development totaled over 120 million pounds sterling, and in the first half of 1954 they reached the figure of 70 million sterling. We have also made 60 millions available in sterling to the Bank, and we know the Bank's help for the Commonwealth and the sterling area. That is why we are so pleased in our way to do what we can to back the Bank. Here is indeed a fruitful cooperation.

Now, I thought that I might with great audacity try to sum up the sort of code of behavior which experience has taught us in the United Kingdom is the best for foreign lenders. What are the lessons to be drawn from the history of a capital-exporting and capital-importing country? They may sound humdrum, but it is an unfortunate realization of all public men that the truth is very often trite.

If others here, as a result of what I say, can produce a better code, I will leave my mailing address and be glad to hear from them.

So here are some of the articles of our belief and the indications of our United Kingdom practice.

First, there must be respect for contracts and pledges. This doesn't mean that everything must remain unalterable in the changing world. It does mean that there should not be unilateral or arbitrary interference with contracts and the rights of investors. It means that when the rights are taken away there should be fair compensation, and that the foreign investor should be treated at least as well as the home nationals.

And that is the practice we've been trying to follow together in recent unhappy incidents.

Second, investors should not look on the country of their investment merely as a place in which to get rich quick, and subsequently to clear out. To that I attach very great importance indeed. And I would assure Sir Chintaman Deshmukh that there is no longer any question of shaking the pagoda tree, but rather of planting fresh woods and opening up pastures new.

Third, the reinvestment of profit and proceeds is as good as new investment. It increases the stake of the investor in the country, and his desire to remain, and the confidence of the host government in him. From our experience, it was this plowing back of profits and proceeds that made possible the great increase in the United Kingdom investment before the first World War.

Fourth, in addition, we consider that the host country should be willing to allow the remittance of profits and the repatriation of capital. Free remittance of profits is of particular importance. It's something which the United Kingdom has always maintained, even through very difficult times immediately after World War II. It's something which all governments should regard as a prime charge on their balance of payments, and not as a luxury which can be easily suspended, or a concession to foreign capitalists which should be obstructed by special remittance taxes, multiple rates of exchange, or other devices.

Complete freedom for capital repatriation may sometimes be more difficult; but if investors are fairly treated it shouldn't, in practice, prove insuperable.

We are constantly examining ways of removing disincentives to foreign investment in the United Kingdom, and we already grant repatriation for approved investment.

My last point is that the lending country should so arrange its affairs that the service of the investment, and its tranfer across the exchanges, will not be made extremely difficult or impossible. This means that the creditor country must be receptive to imports; but it does not mean that it must buy imports from the host country at any price, in order to provide the exchange to service the investment.

That, sir, is the result of our experience, and, as I say, I shall be only too glad to hear whether it can be amended or improved. It's not intended to be a comprehensive code of good behavior for those who indulge in foreign investment.

International organizations have worked out detailed codes of this type. But, put simply, the important contributions to your thought that I can make are, first, that countries needing capital should act in a way that will give confidence to the investor and that countries able to lend capital should not arrange their affairs in such a way that service of the capital is made extremely difficult or impossible.

We can't allow ourselves to think in terms of complete freedom of the movement of capital. That comes only after the freedom, towards which we intend to work, to convert one currency into another, and an era of freedom of trade without quota restrictions. Both of these would greatly assist and aid capital movement.

We intend to press forward with these two objectives. Of course, I have no wish to encourage reckless lending or borrowing. There are limits to the influence of international capital in promoting expansion and development, and in promoting production and trade. But it is clear, sir, that those of us taking part in this discussion today are engaged not only in examining, but looking forward down the one imaginative path ahead for the statesmen of the free world. The fullest and best use of the international capital resources which are undoubtedly available will not only tie the interests of capital and labor more closely together in our various countries — it will tie our countries themselves closer together. And it will provide that background against which we can show the world that we are in fact working towards one free world, and that we finance ministers are not just engaged in basic economics, but have the major foresight to help keep the world not only free, but united and strong.

Inv. Women of Western New York Formed

BUFFALO, N. Y.—On Sept. 22, 1954 the first meeting of the newly organized club "Investment Women of Western New York" was held in Buffalo, New York. The following Officers and Directors were elected:

President: Mrs. Rita M. Welly, S. C. Parker & Co., Inc., Buffalo, New York; Vice-Pres.: Mrs. Arthur G. Maddigan, Doolittle & Co., Buffalo, New York; Recording Secretary: Miss Louise Ellis, Marine Trust Company, Buffalo, New York; Corresponding Secretary: Miss Lucille M. Farella, Goodbody & Co., Niagara Falls, New York; Treasurer: Mrs. Edward J. Ruch, V. M. Ruch & Co., Buffalo, New York; Director: Miss Edna Bender, Manufacturers & Traders Trust Company, Buffalo, New York.

Clement A. Evans Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Maurice J. Moore, III has become associated with Clement A. Evans & Company, Inc., First National Bank Building, members of the Midwest Stock Exchange.

Bear, Stearns Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Lillian L. Hale has become associated with Bear, Stearns & Co., 135 South La Salle Street. Miss Hale was previously with E. F. Hutton & Company.

With Gregg Storer

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ernest M. Huckins is with Gregg, Storer & Co., Inc., 30 Federal Street, members of the Boston Stock Exchange.

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Social Legislation and Voluntary Insurance

be taken into account. In reaching its conclusion to raise the base, Congress was influenced by the fact that the wage base was established at $3,000 in 1936 and that the subsequent increase in wages more than supported an increase in the base to $4,200. On the other hand, we contended that the wage base should not exceed the average wage in the country which is in the neighborhood of $3,600 per year. Tying the wage base to the average wage would provide a criterion for fixing the base in the future, and would avoid providing benefits for earnings above average in violation of the floor of protection principle. While this position had substantial support in the Ways and Means Committee, it did not prevail. The action taken by Congress was motivated, I believe, by the feeling that the base had not kept up with wage increases. The change was viewed by many as a compromise. Labor had long insisted that the wage base should be $6,000 a year and there was substantial support for a base as high as $4,800. A base as high as $6,000, would of course convert social security to a national pension system.

The adoption of the $4,200 base, in our opinion, veers away from the traditional concept that social security should provide only a basic floor of protection because the new base exceeds the average wage in the country. It should be noted, however, that wage statistics, such as the average wage in certain industries, support a base higher than $3,600. Consequently, had Congress accepted the average wage approach, it might have justified its action by pointing to average wage levels in certain basic industries as a more suitable criterion. While the insurance business did not succeed in persuading Congress to keep the $3,600 wage base, it cannot be said that the change to $4,200 is seriously out of line with the average wage concept. The demands for a much higher tax base, the idea that a change should be made to recognize the great increase in wages influenced the final decision. For the reasons given, it should not be concluded that the disposition of this question was a complete departure from the basic floor of protection concept. It appears, however, that Congress has stretched the principle to its very limit.

Health Insurance

In twenty years the number of persons with some form of voluntary health insurance has increased from 8 million to almost 100 million. During this period, benefits have expanded and so have hospital and medical costs. Despite this remarkable record, health insurance is under attack because in many cases it does not take care of the big medical bills. Congressman Charles A. Wolverton, Chairman of the Committee on Interstate and Foreign Commerce, addressing the House of Representatives recently, said:

"Next to war, illness is the greatest destroyer of human and economic resources. Sickness puts more Americans in hock every year than the 1929 Wall Street Crash."

Those who favor Federal welfare legislation to help individuals meet the economic impact of death, old age and unemployment are now investigating the economic ravages of poor health and the cost of medical care. Whether we should have a compulsory health program is still an issue in this country.

Within the past year there have been three developments in the field of health that challenge the voluntary insurance system.

(a) Congress investigated health insurance generally.

(b) The Federal Trade Commission investigated practices in health insurance advertising.

(c) Congress considered and rejected a bill to establish Federal reinsurance to stimulate the adoption and expansion of voluntary health insurance plans.

All this activity at the Federal level demonstrates the keen interest in health insurance. It is obviously a major political issue. Congress' interest is another illustration of the trend toward doing things to stabilize the economy of the individual. Because doing something for the sick has great humanitarian appeal, patience and understanding in dealing with the subject is warranted. Because voluntary insurance must expand within the capacity and willingness of individuals to provide complete protection, there has been a tendency to minimize the great advances made in recent years by pointing to the fact that those who need health insurance most are least likely to be adequately insured.

Moreover, there is a disposition in some quarters to blame the voluntary insurance system for the absence of coverage of (1) those who cannot afford to buy any health insurance, and (2) those who are uninsurable because their health is already impaired. These groups of individuals present a problem which Government should solve through direct assistance. The problem of the indigent and the impaired lives is not an insurance problem and the quicker this is understood the less confusion we will have in evaluating the capacity of voluntary insurance to spread the cost of medical care.

It is not feasible to review in detail the three major developments I have mentioned. Instead I shall draw some conclusions from these recent experiences.

Congressional Investigation of Health Insurance

The results of Congressional investigations can be described as partly favorable and partly unfavorable. There was favorable comment on the rapid expansion of voluntary health insurance and the recent development of major medical coverage to protect against the great cost of serious and prolonged illness. On the other hand there was criticism of practices, policy provisions, and misleading advertising. The business responded promptly to these criticisms by establishing a top level committee to study the complaints and to seek improvements. The publicity attending these Congressional disclosures seemed unfavorable from a public relations standpoint. The long-range view is that the business has been challenged on some of its practices. Failure to meet the challenge could induce demands for Federal regulations. It could stimulate demands for compulsory health insurance.

Federal Trade Commission Investigation

This investigation is dealing with health insurance advertising. The Federal Trade Commission asked every company to send in its advertising for review. Practically all companies cooperated. Objections on the ground that the Commission did not have power to investigate were relatively few. Currently, the results of the investigation are being submitted to the Commission by the staff investigators. The Commis-

sion will decide whether there have been violations of the Fair Trade Practices Act and whether complaints against individual companies should be issued. The conclusions to be drawn are these: The action by the F. T. C. shows that the Federal Government is deeply concerned with voluntary health insurance. There is also the implication that in the future greater regulatory power may be exercised by the Federal Trade Commission, particularly in areas that seem to escape state regulation, as for example mail-order insurance. Finally, if complaints are issued against certain companies, there could be a resulting unfavorable public reaction. This could produce demands for Federal regulation of health insurance. If the business acts promptly in meeting criticisms of the F. T. C. and continues its efforts to improve practices, the threat of further F. T. C. action should disappear.

The Federal Reinsurance Bill

This bill would have permitted the government to reinsure prepaid health plans issued by insurance companies and associations like the Blus Cross. In order to qualify for reinsurance, the plans would be required to meet certain standards. Advocates of the reinsurance measure believe that it would stimulate the further expansion of voluntary health insurance, particularly major medical insurance. They claim the proposal is consistent with the philosophy of helping private business serve the public need. They express opposition to socialized medicine and contend that the reinsurance plan is not an invasion of business, but something akin to government insured mortgages or government insurance of bank deposits. Opponents feel there is no need for Federal Health Reinsurance, that the plan would not be widely used, that it would put the government in the health insurance business and the plan might lead to social medicine.

It is difficult to establish the reasons responsible for the bill's failure. The newness of the idea, the absence of specific prescribed standards for health insurance plans, the concern of the American Medical Association that the reinsurance program might be converted into a social medicine plan, the inability of the sponsors to demonstrate the need for the legislation—all had a bearing on the result. The fact that the plan was not liberal enough to satisfy labor explains why some of the liberals in Congress joined the conservatives in defeating the measure.

This reinsurance plan is not dead. Undoubtedly, it will be an issue again in the next session of Congress. Possibly it will be introduced in a form that will meet some of the objections to the original bill. The insurance business will be called upon to take a position.

This year we did not oppose the bill but suggested further study. Several insurers endorsed the plan, others openly opposed it. Now is the time to carry out our recommendation for further study. Are there other approaches to be considered? Will we be able to develop an industry position if an improved bill is introduced? Are we facing a choice—something like the reinsurance plan, or a more direct approach that would result in government competition in the health insurance field? If we think of these questions in terms of the overall trend toward more welfare legislation, is it reasonable to conclude that some Federal action in the health insurance field is indicated? Or is this the one area in which a welfare program will not succeed? These are very difficult decisions to make. They are very important decisions. The future of voluntary health insurance is at stake.

Conclusion

This discussion could be expanded to include other factors which might have a bearing on our interpretation of current trends in welfare legislation. For example, will the taxing power of the Federal Government be employed to favor welfare benefits and discourage people from patronizing voluntary insurance? Will an effort be made to extend Federal power to regulate voluntary insurance as a step in the further development of welfare programs? In this connection, Federal regulation of union welfare programs is under consideration. These and other facets of the problem add to its complexity and illustrate how difficult it is to chart a course.

It is the uncertainty of where welfare legislation is taking us that deeply concerns the insurance business. The anxiety generated by frequent increases in welfare benefits moves many to conclude that the programs will eventually be over-expanded. Consequently, they believe in unswerving resistance to further change. I doubt whether it would be in the best interest of voluntary insurance to be that rigid in its views.

It seems to me that the attitude of insurance on this subject must necessarily take all factors into account in arriving at decisions for new legislative proposals. We must be tuned to national thinking on the subject of welfare. We must determine as best we can whether our concern for the future is real and is shared by others. We must observe political trends to ascertain to what extent the ideals of liberty are being adjusted by our people to achieve ideals in security.

In appraising the current situation, it is difficult to resist the conclusion that welfare legislation, in its present form, is widely accepted. Most Americans appear to think the benefit levels of our government security systems are not incompatible with free enterprise, or are destructive of individual incentive. Press and editorial comment supports this conclusion. Moreover, it seems inescapable, if we carefully examine current political philosophies and trends on this subject, that a fundamental change in our national thinking is taking place. This means that voluntary insurance as an important part of our enterprise system has a greater responsibility than ever to emphasize the risks of overexpanded social programs and the importance of voluntary insurance in our economic system.

It also means, however, that public relations-wise, voluntary insurance might be harmed if we adopt inflexible policy that is not sensitive to the changing demands and needs of society, or if we are unduly pessimistic as to the outcome of social experimentation. It is important to realize that there is no simple scientific test to tell us when a given change in welfare legislation is good or bad. Nor is it always easy to understand at any given time the full meaning of a trend that has come upon us so suddenly and is so puzzling in its long-range implications.

The gap between what is and what ought to be probably exists in everyone's mind. Down through history, mankind has dealt with this gap in various ways. At times people have tried to ignore it. At other times, leaders have been too nagging about it. No society has ever come very close to closing the gap. But never, for very long, have efforts to close it been given up. At this point in history the gap between social ideals and the actual behavior of the world we live in is being narrowed. There is great hope for social progress. But there is also tension between the ideal and the real. Voluntary insurance is caught between these forces. It will survive because it is both idealistic and realistic.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The feeling in the government market appears to be improving, because there are indications that quite a few issues are moving into strong hands. Investors are much more inclined now to make purchases of selected maturities than was the case not so long ago. The middle term obligations have been getting more attention from the commercial banks, with the recently issued 1⅝% note being put away in what is termed good sized blocks. The longer maturities are also being bought by traders as well as investors since, it is believed, the money market will get a build-up so that a higher coupon distant maturity could be used in the December operation if conditions should warrant such an issue at that time.

Even though the December undertaking is looked upon as mainly a refunding situation, it would not be surprising if there was some new money raised at that time also. To be sure, this would make the December operation a very big one but, if money market conditions are right, it should not make any difference.

Note Issue Still Undigested

The December refunding, although somewhat in the background at this time, is nonetheless going to be a more potent force in the money market with the passing of time. The recent new money raising operation of the Treasury brought into the picture an issue which has gone only so-so, because the monetary authorities had not done very much to prepare the market for it. To be sure, the process of digesting the 1⅝% note is still going on but, because of the rather sizable floating supply, it has taken considerably more time than was expected to get this obligation in strong hands. Nevertheless, this new security is moving into permanent homes in a great many portfolios.

Price Enhancement Expected

It is evident that not a few investment managers have been, and are continuing to add to their holdings of the 1⅝% of May 15, 1957, at current levels, because they believe quotations for this issue will improve in the not too distant future. It is being pointed out that the monetary authorities will have to take some action before too long to prepare the market for the heavy year-end operation, and this should have a favorable effect upon the presently outstanding obligations. Because of this feeling, there is also more of an interest appearing in other Treasury issues, especially those in the intermediate term range that are selling below, at or near the par level.

Market "Sweetening" Anticipated

The December refunding involves more than $17,000,000,000 and, according to opinions of money market specialists, the monetary authorities will see to it that the securities which will be offered in exchange for the maturing obligations will be tailored to fit the market. This probably means that the money market will be given what help it needs to make this sizable operation a success, since it is believed that a "package offering" will be made to the holders of the securities that mature the middle of December.

Assuming that an "option deal" is in the cards for the December refunding, and it might consist of shorts, intermediates and longs, then the entire market for Treasuries will have to get some attention from the powers to be if the pattern of rates is to be kept within the areas that have been in force. On the other hand, it would not be at all surprising to some money market specialists if the money market took on a better tone in the not distant future because money appears to be a bit more plentiful, and this along with the preparatory efforts of the powers that be, could have an important influence upon the outstanding Treasury issues.

Temporary Investing Prominent

Public monies, not of the pension variety according to advices, have been making what is termed important purchases of the near term issues, pending the time when these funds will be put to work. However, this is money which will be used in the not too distant future for constructive purposes which should be favorable to the whole economic picture. It is expected that more switches will be made in the longer end of the list by pension funds, since they are reportedly inclined to make commitments in those bonds which are selling at or below 100. It is believed by this group that when long governments can be purchased below par, that advantage should be taken of the situation. On the other hand, there are good-sized orders in the market for the high premium 3¼s of 1978-83.

Non-Callable Preferreds in Spotlight

Switches from the short maturities of Treasuries are still being made by institutional investors in order to take on tax-free revenue bonds as well as preferred stocks. While some of these funds have gone into corporate bonds and common stocks, it is reported that the highest grade preferred stocks, mainly those that are non-callable, have been getting the bulk of this money.

With Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Juanita S. Branson has joined the staff of Lamson Bros. & Co., Stuart Bldg.

Slayton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Pleasant A. Smith has joined the staff of Slayton & Company, Inc., 408 Olive St.

Ralph B. Leonard Co. Formed in New York

Ralph B. Leonard & Co., formerly one of the most active houses in bank and insurance stocks, have resumed business at 25 Broad Street, New York City. Mr. Leonard stated that he is re-entering this field because of the great prosperity he sees ahead for banks and insurance companies. In the insurance field he sees a new demand for coverage, due to the atomic age and increasing wealth of the country, that will run into billions of dollars of insurance. The firm is now in process of building up a substantial retail sales department.

Mr. Leonard has recently been with P. W. Brooks & Co. and First Investors Corp.

Coffin & Burr Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Frank J. Shaughnessy is now with Coffin & Burr, Incorporated, 60 State St., members of the Boston Stock Exchange.

Chas. A. Day Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert C. Kerr has been added to the staff of Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John Renshaw has joined Investors Planning Corporation of New England Inc., 68 Devonshire Street.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Winslow C. Blaney is now with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York and Boston Stock Exchanges.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Lawrence Anderson is with Thomson & McKinnon, Grain Exchange Building.

Kalman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — David A. Koch has been added to the staff of Kalman & Company, Inc., Endicott Building.

Continued from page 4

Motion Picture and Television Program Financing

banker, he would then make his loan. The usual pattern was 60-20-20. The first money loan of 60% of the budget, the second money loan of 20%, and the so-called "end money," or equity of 20%. Often, the "end money" was not put up in cash, but in deferments from actors, or other participants in the project.

The Firm Itself, Becomes Security

Now before I go any further I must define the subject of this discussion. I have been asked to talk about motion picture and television financing. I am going to confine my talk primarily to independent production, where the security is the film itself. Since motion pictures became "big business," and as television has become "big business," the major companies get credit from their baankers on their balance sheets, the same as any other large business. MGM, Paramount, and NBC all have access to primary banking sources on conventional bases. My discussion relates rather to the producer who may not have bankable assets, outside of the film he is making.

To continue, I said that motion pictures had become a predictable venture because of the appetite for celluloid by thousands of theatres. I said that a rule of thumb had been worked out by the producers and the bankers arising from the expectancy that any "A" picture would gross a million dollars. Similar formulae were developed for "B" pictures, and the various gradations between a "B" picture and a true "A" picture.

Unfortunately the motion picture did not enjoy its new-found status in the world of banking too long. Certain things began to happen at the end of the war, which disrupted the "area of predictability."

(1) Much of the foreign market had been largely cut off by the war.

(2) England, which theretofore had contributed a substantial portion of the cost of an American picture, devalued the pound, and froze its currencies as did other countries.

(3) But most of all—television came to these United States, and with it a sharp decline in domestic box office. During the war, the industry had weathered the loss of the foreign market because of the abnormally heavy domestic box office. The diminution of domestic revenue after the war was far more serious. Since the advent of television, many theatres have closed; and I dare say many more will. I think that motion pictures are certainly going to continue to be a major form of entertainment to the American people and that a plateau will be reached. Perhaps it is already reached. But there is no denying the fact that the old formulae devised by the bankers fifteen years ago no longer prevail.

When we at Heller were working on the United Artists reorganization, and decided to continue in the field of motion picture financing, I made a survey of all of the pictures then being distributed by United Artists. This was four or five years ago. I found not only that the million dollar minimum gross was a thing of the past, but actually that seven pictures had gone through United Artists that year which had grossed as little as $400,000 to $450,000. Accordingly, we moved our sights down, and decided that instead of a minimum producer's share of $600,000 based on a gross of a million, the safe area for an ordinary program picture was a loan of no more than $200,000. Now I am not saying at that time no picture was worth a loan over $200,000. It was true then, as it is now, that if you put great stars and a great director and a fine story into a motion picture you would be assured in 1950, as now, of a gross in excess of $400,000—certainly many times that amount. But if you were banking on the basis of getting your money out of a "flop"—an ordinary program picture without much distinction—you could safely depend only on a gross of $400,000 and a producer's share of $200,000.

Large Motion Picture Companies Prosperous

Since that time, notwithstanding television's deeper inroads, a strange anomaly has happened. The major companies, with the exception of RKO, are enjoying a tremendously prosperous period. The foreign market is better than it ever was. Yet motion pictures have almost departed from the "area of predictability." After the slump which began in 1945, the first accent was on economy. How cheap could you make a picture? Then the pendulum swung the other way. The major companies found that in order to lure people from their television sets, they had to make good, high-priced pictures. Such pictures are now breaking records. This is the anomaly. While great extravaganzas like "The Robe" and "From Here To Eternity" will gross ten, fifteen or twenty millions, an undistinguished "average" program picture can fail to get back its print and advertising costs. This type of picture is now in almost the same position of a Broadway play.

Does that mean that a motion picture, as such, is no longer bankable! I would not go that far. A fine picture with good ingredients may do a better gross today than ever before; and is certainly deserving of credit. *But it is almost impossible to say where the level will be.* I have heard, for example, that the motion picture being made of "Oklahoma," in the new process Magnascope, will cost five or six million dollars. I am sure the producers expect to gross ten or fifteen millions. Yet the bank loan is only one million. Bankers are like elephants. They remember such pictures as "Arch of Triumph," which cost $4,000,000 and didn't gross its advertising budget of $1,000,000.

I will go so far as to say that a single average motion picture without any distinguishing elements has departed from the "area of predictability," and should not be regarded as a good risk.

Devices, however, have been employed to bring back such pictures into the "area of predictability" by various means of cross-collateralization. The simplest is the method whereby a group of pictures are pledged. The theory here is that the profits of the good pictures will cover the losses on the poor ones.

Financing Groups of Pictures

Another method is the establishment of a fund for a group of pictures to cover the losses within the group. I know of no other way at the present time, during this uncertain period in the motion picture business, whereby safety can be obtained, other than by cross-collateralization. Any picture can be a poor picture but at least out of a group there should be enough good ones to protect the losers.

Having determined that a picture or group of pictures fits into an "area of predictability" and is a good credit risk, it remains necessary then for a lender to concern himself with documentation. That is a subject in itself, much too involved to get into here, except quite briefly. It is complex, beyond any other form of business venture I have seen. There are from fifty to eighty documents in the Bible of a motion picture loan. I can only get into a few of the basic requirements:

(1) The first thing a banker wants to know is that the producer has a *distribution agreement* with a responsible distribution company, so that even if the picture does not come up to expectations, it will be sold and will not be an orphan. So he carefully reads the distribution agreement to ascertain the obligations of both the producer and distributor.

(2) Then he wants to be sure that the picture is going to be delivered. For this purpose the banker gets a *completion guaranty.* This may be in the form of cash or it may be an undertaking from a responsible person or studio that the picture will be completed even though the cost exceeds the amount of the budget. It is in this respect that a motion picture differs mostly from an ordinary piece of personal property because there the mortgagee has a *finished object* with which to deal. On existent personal property, the mortgagee takes his mortgage and then worries only about being paid. In the case of motion picture loans, the banker must first be assured that there is going to be an object, that the picture is going to be finished. That is the purpose of the completion guaranty.

(3) Then, of course, the banker wants security; and for that purpose he usually takes two mortgages:

(a) A *chattel mortgage* on the *negative*, which is usually recorded both in the state where the picture is being made and in the state where the office of the distributor is located. There is a legal problem here involving whether you can take a mortgage on a nonexistent entity. Counsel have found ways to resolve this. Foreign production presents a conflict of laws, which is much too technical to get into here.

(b) A *mortgage* on the *copyright* which is recorded in Washington.

(4) In addition to the mortgages, and to cover the physical negative and assure a supply of prints, the banker takes a *pledgeholder's agreement* from the laboratory which holds the negative. This is merely an agreement by the lab to honor the direction of the banker to make prints, and to deliver the negative to the mortgagee in the event of default and sale.

(5) Then there is an *assignment of the income*, and an *irrevocable agreement* from the distributor that it will turn the proceeds over until the debt is paid.

(6) A word about the budget and provision for disbursement of the loan. While this is not exactly a matter of documentation, it goes along with the initial setup of the loan and should be mentioned in passing. Usually a financier requires a disbursing agent, preferably a man familiar with production problems, who approves vouchers and distributes the proceeds of the loan. It is the job of this man to see that all of the equity money and second money are in, and disbursed, prior to the disbursal of the first money loan.

In addition to these basic elements, there are many other items which go into the Bible—assignment of the story and the script, the contracts of the players, cast insurance to protect against illness or death of the players, deferments, etc.

Financing Television

So much for motion pictures, how they got into the "area of predictability," and how they spilled out of this area, primarily because of television. Now briefly to the medium which caused that spill-out, the subject nearest and dearest my heart — television — and what the bankers are doing about this lusty, bawling infant.

About five years ago I was sitting in my office at Heller's and a man brought in an instalment contract. It was different from the ordinary form of instalment contract because it was not secured by the usual personal property. It was an agreement by a Los Angeles television station to pay $2,000 per month for 12 months for the use of 26 old motion pictures. The contract was signed by the owner of the station who was also the owner of a large newspaper and whose credit was worth many millions of dollars. The man who came into my office had taken the paper into various banks, but because the contract referred to the delivery of pictures for television, he was unable to borrow ten cents on it. I tried to figure the risks involved in discounting this piece of paper. Manifestly the credit of the obligor was good. But there was an undone act which might affect the payability. This was the obligation to make periodic delivery of the pictures. The risk then was that if the pictures were not delivered each week, the television station would not make payment. It occurred to us that this contingency could be met by a laboratory agreement similar to that in a motion picture loan, insuring delivery of prints to the television station. This was a simple thing to arrange, and we ultimately decided to discount the paper.

Since that time, of course, several banks and financing institutions have financed firm contracts for both existing pictures and new television production.

Selling Television Film

At this point I should discuss briefly the two methods of selling television film. In the motion picture industry there is only a single method of selling pictures. A producer or a major studio makes a picture and turns it over to the distributor (or in the case of the major studio, its distribution subsidiary). The distributor then shows it to the theatres and makes the best deals it can for its exhibition. While in the days of block-booking, and in rare instances today, a threatre will buy a picture before it is finished, the almost universal practice is to sell a *finished* picture.

Now in the television industry there are two types of customers; and this necessarily means two types of selling, producing, and financing. The first type of customer is the national advertiser. He exhibits his program in most cases over a national network. To sell him, the producer usually makes a single picture, which is called a "pilot." If the pilot captures the fancy of the advertiser, the parties enter into a contract for a certain number of pictures following the pattern of the pilot.

The financing of this type of transaction—of a firm contract for a series of pictures—has become almost routine and is fairly simple. Many of the old motion picture rules prevail. Again the most important is that you must be sure that the pictures will be completed. For that purpose you get a completion guaranty.

This type of situation involving the financing of pictures which are already sold really does not present too much of a problem. My company recently sold a new series of pictures called "Halls of Ivy," starring Ronald Coleman, to the International Harvester Co. and the National Biscuit Co. There are specified rules of acceptability by the sponsor who approves the ingredients. Here a banker has a completely predictable situation which he can surround with safeguards so that payment is assured. It is here that television has passed motion pictures in the "area of predictability."

There is another situation in television, however, which presents a less predictable area. This involves a production loan on a series of pictures *prior to the sale thereof.* Here the potential customer is the local or regional advertiser, rather than the national advertiser. And the sale is usually made by a distribution company, similar to a motion picture distribution company. These companies are called "Syndicators."

Here the entire series (or a substantial portion thereof) must be made in advance of the sale; because the local advertiser usually wants to start telecasting immediately and you must have pictures to give him without long production delays. This loan is similar to a motion picture loan where it is uncertain as to how much revenue will be obtained in the distribution. Time was when financing this type of television venture was an out and out gamble. In the early days of filmed television programs, say five or six years ago, most of the people producing these series were ex-radio producers or Hollywood directors, actors, writers, or minor motion picture producers who saw visions of a celluloid Klondike and they wanted their claims staked early.

They would borrow enough to get together a quickly-written script, a small cast and one set, and they would produce their pilot and try to finance the series. Little thought was given to distribution—and right there is the major difference between the television film business of a few years ago, and now. *Distribution.* It was so often overlooked in the early days but now it is the key to the "area of predictability" I mentioned earlier.

It was perhaps more or less normal, for those early producers to concentrate so hard on their films they had no time to worry about distribution. No time and no experience. Also, they had their own problems. They were unfamiliar with television and often they were thrown against problems they found unsurmountable. Some of them went out of business, some combined with others and formed new companies.

Present Situation

Right now the situation is something llike this: There are fewer companies in the business of producing and distributing television filmed series. There are three or four leaders and about a dozen smaller companies. These companies are generally more conservative and experienced than their predecessors. They aren't only concerned with producing their filmed programs, they know the other half of the scale is called "distribution."

And with these companies which distribute as well as produce lies the key to the "area of predicability."

With good distribution a company can market its product through a regional deal or can market through local sales. Distribution has now reached such a high state of efficiency among the three or four top companies that television is right now more predictable from a financial standpoint than motion pictures.

I don't say that a small company with a small sales staff is a good risk for a series of $35,000 programs. There are too many indus-

try factors which mitigate against recovery of such a high price by a company without a strong sales organization. But given a reasonably priced series of good quality and working with one of the aforementioned better distributors, I feel there is a margin of safety in a 50% to 60% loan. In this area, a safe loan can be liquidated fairly comfortably, with some semblance of a decent profit.

In other words, I am confident that the television field, at least in the area of filmed program series, offers a reliable as well as fascinating area of potential financial activity.

North Park Uranium Shares at 40c Each

Philip Gordon & Co. Inc., New York, is offering to the public "as a speculation" an issue of 750,000 shares of common stock (par 10 cents) of North Park Uranium Co., Inc., at 40 cents per share (minimum order 100 shares at $40).

The North Park company was organized on May 9, 1954, in Delaware, to engage in the exploration, acquisition, drilling and mining of uranium properties. Its executive offices are at 501 Aliso Drive, N.E., Albuquerque, N. M.

The unpatented claims of the company cover an area of 3,560 acres and are divided into two groups, the Red Bluff group containing 50 claims and the Agua Salada group containing 128 claims. Exploration and development work has mainly been done on the Red Bluff Claims.

The Red Bluff group is located in McKinley County, N. M., and the Agua Salada group in Sandoval County, N. M.

This corporation having already commenced exploratory operations and having produced and sold a small amount of uranium ore from its mining claims in McKinley County, proposes to develop further those claims; and to explore and drill on its Agua Salada claims for uranium.

A. M. Krensky Opens Branch in Grand Rapids

GRAND RAPIDS, Mich. — Arthur M. Krensky & Co., Inc., members of the New York and Midwest Stock Exchanges, will open a branch office in the McKay Tower about Oct. 15. Temporary offices are located in the Hotel Pantlind Building. Hyman B. Shaine will be Branch Manager, and associated with him will be Richard J. Boss and Maurice Amelar. All were previously with Straus, Blosser & McDowell.

Joins Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John P. Steele is now connected with William R. Staats & Co., 111 Sutter Street.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert A. Potter has been added to the staff of Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward G. Ashton has been added to the staff of Shearson, Hammill & Co., 520 South Grand Avenue.

With First So. Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla. — Maurice H. Bradfield has joined the staff of First Southern Investors Corporation, Southwest First Avenue.

Continued from page 5

The State of Trade and Industry

drop-off in car assembly, while truck manufacture is down almost 42%.

Steel Output Set This Week at 72.3% of Capacity

Steel ingot production rose to within 4 points of this year's high point, says "Steel," the weekly magazine of metalworking, the current week. It reached 71% of capacity in the week ended Oct. 10. This marked the fourth consecutive week of increase. In the latest period the rise was 2.5 points over the preceding week, making the gain in the last month 7.5 points.

To step up production, steel companies put more furnaces into operation, recalled men to work and increased the work week.

The upturn stems from a partial resumption of buying by automobile producers and from the tapering off of inventory reductions, declares this trade paper. Most steel users have whittled their inventories of materials down to desired levels. Now they at least have to buy for current consumption, and this puts them into the market again.

As demand for steel strengthens, delivery times on some products are becoming extended into the future. This is true particularly in the forms of steel, such as light flat-rolled products, used by the automobile industry. The time is nearer when consumers cannot dictate times of shipment. Delivery of cold-rolled carbon steel sheets now takes five to six weeks, and hot-rolled carbon sheets, three to four weeks. Tightest of all steel products, however, are galvanized sheets, particularly those from continuous hot-dipping lines. Most sellers of this continuous product are booked well into December, and one Midwest producer is now quoting February delivery, adds this trade weekly.

Even though the steel production rate has risen, there's enough idle mill capacity to keep keen competition alive, it states, because mills have aggressively sought customers and jobbers have seen some of their business taken away. As a countermove, jobbers have increased their quantity discounts on various steel products $2 to $4 a ton.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 72.3% of capacity for the week beginning Oct. 11, 1954, equivalent to 1,724,000 tons of ingots and steel for castings as compared with 71.0% or 1,692,000 tons the actual output of a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 66.4% and production 1,583,000 tons. A year ago the actual weekly production was placed at 2,172,000 tons or 96.3%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Makes Further Gains This Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 7, 1954, was estimated at 9,193,000,000 kwh., according to the Edison Electric Institute.

This represented an increase of 35,000,000 kwh. above that of the previous week, and an increase of 886,000,000 kwh., or 10.7% over the comparable 1953 week and 1,495,000,000 kwh. over the like week in 1952.

Car Loadings Increase 1.6% Above Preceding Week

Loadings of revenue freight for the week ended Oct. 2, 1954, increased 11,668 cars or 1.6% above the preceding week, according to the Association of American Railroads.

Loadings totaled 721,883 cars, a decrease of 90,651 cars or 11.2% below the corresponding 1953 week, and a decrease of 130,037 cars or 15.3% below the corresponding week in 1952.

U. S. Auto Output Drops About 8% Below Previous Week

The automobile industry for the latest week, ended Oct. 8, 1954, according to "Ward's Automotive Reports," assembled an estimated 58,717 cars, compared with 64,115 (revised) in the previous week. The past week's production total of cars and trucks amounted to 74,558 units, a decline below the preceding week's output of 6,469 units or 8%, states "Ward's." In the like week of 1953 140,402 units were turned out.

Last week, the agency reported there were 15,841 trucks made in this country, as against 16,912 (revised) in the previous week and 23,926 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 1,900 cars and 999 trucks last week, against 2,129 cars and 954 trucks in the preceding week and 6,464 cars and 1,913 trucks in the comparable 1953 week.

Business Failures Rise Moderately

Commercial and industrial failures rose to 230 in the week ended Oct. 7 from 192 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in seven weeks, casualties exceeded the 186 which occurred in the comparable week of 1953 and the toll of 147 in 1952. However, mortality remained 18% below the prewar level of 279 in 1939.

Failures with liabilities of $5,000 or more increased to 187 from 162 last week and were moderately higher than a year ago when 160 were recorded in this size class. An upturn also took place among small casualties, those involving liabilities under $5,000; they rose to 43 from 30 in the previous week and 26 last year. Liabilities exceeding $100,000 were involved in eight of the week's failures, as compared with 11 a week ago.

Wholesale Food Price Index Edged Two Cents Lower the Past Week

Continuing the downward movement of the prior week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., recorded another 2-cent drop last week. The Oct. 5 figure at $6.69, compares with $6.71 a week earlier. It marks a rise, however, of 1.8% from $6.57 on the corresponding date a year ago.

Commodities moving upward in price this past week were flour, wheat, corn, oats, hams, cheese, milk, coffee, tea, rice and steers. Declines occurred in rye, barley, bellies, lard, sugar, cocoa, eggs, potatoes, raisins, prunes, hogs, and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the geenral trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registers Mild Rise In General Price Level

A mild upturn in the general price level toward the close of the week lifited the Dun & Bradstreet daily wholesale commodity price index for Oct. 5 to 275.76 from 274.73 a week earlier. At tnis time a year ago the index stood at 270.85.

Activity in leading grain markets was somewhat slower the past week although most cereals trended higher particularly in the latter part of the period. Soybeans scored the most impressive advances aided by light offerings and a marked absence of hedging pressure. Unsettled weather in the Midwest was said to be hampering harvesting and marketing of cash soybeans. Oats and rye edged higher as receipts declined from the previous week and reports from Canada indicated further deterioration in both crops as the result of unwanted wet weather. Corn prices moved irregularly influenced by the uncertainty of new crop marketings.

World wheat crop prospects, according to the Foreign Agricultural Service, indicated a total world wheat production of 6,870,000,000 bushels, or about 5% below the 1953 crop but well above average.

Purchases of grain and soybean futures on the Chicago Board of Trade last week dropped to a daily average of 42,600,000 bushels, from 47,100,000 the previous week.

Buying interest in the domestic flour market remained small although small-lot replacements for immediate and nearby reached a moderate aggregate in hard wheat bakery flours. The price tone continued strong reflecting persistent firmness in cash wheat premiums. Export flour trade showed a little improvvement.

Coffee was under pressure and prices slumped largely due to cheaper asking prices for actual coffee in Brazil. The market tended to firm up at the week-end on the threat of a dock strike at New York.

The cocoa market was rather quiet with prices showing little change for the week as most traders held to the sidelines. Cocoa arrivals since Jan. 1 were reported at 2,696,399 bags, against 3,276,905 bags in the like 1953 period. Cheese markets were steady to firmer, while the market for fresh eggs continued weak and generally lower. Hog prices worked lower last week, both the top and the average cost dropping to new low ground since February, 1953.

Spot cotton prices moved downward under active hedging and week-end liquidation influenced by the possibility of an increase in the forthcoming Official crop forecast. A preliminary estimate by the "Journal of Commerce" issued over the week-end indicated a yield of 12,752,000 bales, or 920,000 above the Government Sept. 1 estimate of 11,832,000 bales, and slightly higher than the August forecast of 12,630,000 bales. Reported sales of the staple in the 14 markets continued in high volume and totalled 524,500 bales for the week, against 492,700 in the preceding week. Harvesting conditions were mostly favorable and picking and ginning continued to make good progress. Volume of CCC loan entries was small in relation to current ginnings.

Trade Volume Adversely Affected by Unseasonable Weather

Hot, humid weather in many parts of the country was partly responsible for a decrease in retail sales in the period ended on Wednesday of last week. Friday and Saturday were particularly poor shopping days, and total sales were below those of both the prior week and a year ago.

Department and specialty stores shared equally in the slow trade. Credit sales accounted for slightly more than half of total department store business and collections were good.

The dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be unchanged to 4% below that of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England, Midwest, and Pacific Coast —2 to —6; Northwest —1 to —5; East 0 to —4; Southwest —2 to +2 and South —1 to +3.

Although home furnishings promotions were often featured last week, total furniture and appliance purchases were below those of a year ago.

Television sets and radios were popular, but case goods and upholstered pieces sold poorly. The demand was strong for take-home lumber, hardware and paint, indicating no lag in the do it-yourself boom.

Expected seasonal increases appeared in the wholesale buying of apparel, textiles and some house goods in the period ended on Wednesday of last week. While most individual orders were light, they were more frequent than the week before.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ending Oct. 2, 1954, decreased 2% from the level of the preceding week. In the previous week, Sept. 25, 1954, an increase of 3% was reported from that of the similar week in 1953. For the four weeks ended Oct. 2, 1954, a decrease of 1% was recorded. For the period Jan. 1 to Oct. 2, 1954, department store sales registered a decrease of 2% below the corresponding period of 1953.

Warm weather and a religious holiday last week once again cut into retail trade volume in New York City and as a consequence, sales for the week are expected to fall about 10% below the like period a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Oct. 2, 1954, registered a decline of 8% below the like period of last year. In the preceding week, Sept. 25, 1954, an increase of 1% was reported from that of the similar week in 1953, while for the four weeks ended Oct. 2, 1954, a decline of 3% was reported. For the period Jan. 1 to Oct. 2, 1954, no change was registered from that of the 1953 period.

Mutual Funds

By ROBERT R. RICH

IN THE FINAL ratings of the board of judges in the "Financial World" survey of annual reports, Chemical Fund was judged as having the best annual report among mutual funds.

The bronze "Oscar of Industry" will be presented to F. Eberstadt, President of the company, at the Annual Awards Banquet in the Grand Ballroom of the Hotel Statler, New York, on Oct. 25, 1954.

A total of 5,000 annual reports were considered this year in the international competition, the fourteenth in the series of surveys.

These were judged in 100 industrial classifications for the Best-of-Industry awards.

In the Mutual Funds section, National Securities & Research was runner-up for top honors, while Fundamental Investors placed third.

NET ASSETS of Commonwealth Investment Company totaled $81,-159,132 on Sept. 30, 1954, compared with $62,123,057 on Sept. 30, 1953, S. Waldo Coleman, President, announced recently. Net asset value per share increased from $6.45 to $7.85 during the same period.

Commonwealth assets are invested in 331 individual securities with 64.83% in common stocks; 17.39% in preferred stocks; 11.98% in corporate bonds and short-term notes; and 5.80% in cash and United States Government bonds. The company's largest holdings are in oils and public utilities, according to Mr. Coleman.

He also said Commonwealth shareholders now number about 41,000.

AT THE END of the fiscal year ended Aug. 31, 1954, Financial Industrial Fund, Inc. had 15.81% holding in the chemical industry, as compared with 12.03% of assets a year earlier. The number of chemical stocks in the group was increased from 8 to 12.

Total net assets totaled $22,564,-244.00 at the fiscal year end Aug. 31, 1954 with ownership in 77 companies representing 18 industries. On Aug. 31, 1953, total net assets were equal to $13,874,112 representing share holdings of 72 companies in the 18 industries.

WELLINGTON FUND in a report for the quarter transmitted to shareholders by Walter L. Morgan, President, listed net assets on Sept. 1, last, at an all-time high of $348,285,678. This represented an increase of $67,391,465 over the total of $280,894,213 on Dec. 31, 1953.

The increase is the largest for any similar period in the Fund's 25-year history. Subsequently, in September, Wellington's assets crossed the $350 million mark.

The asset figure on Sept. 1 was equal to $22.64 a share as compared with $19.97 a share at the close of last year.

Mr. Morgan, in a summary of the Fund's investment changes, stated: "Since June, stock and bond prices have been firm, reflecting investors' confidence and easy money. On Sept. 1, the Fund had about 63% of its resources invested in common stocks, or about the same as on June 30. In this period, the Fund slightly increased its high-grade corporate bond investments and reduced short-term governments. Principal common stock increases were in securities of leading companies in basic industries, including nonferrous metal, natural gas, rail, steel and telephone. The principal reductions were in certain less favored or low-yielding common stocks in the chemical, drug and electric utility groups."

The Wellington president referred to the business picture as "reassuring." "Since last winter," he told shareholders, "we have been consuming more than we produced. Construction has been the brightest spot in the picture," he pointed out, "with nearly all lines higher than last year. On the whole," Mr. Morgan concluded, "the business picture is reassuring."

The report was accompanied by Wellington's 99th consecutive quarterly dividend payment. The Fund is combining the March and September dividend notices with the reports for those periods to reduce printing and mailing expenses to its more than 125,000 shareholders.

Canada Holders To Vote Nov. 1 On Fund Merger

Shareholders of Canada General Fund, Inc. will vote Nov. 1 on the directors' recommendation that the mutual investment company be merged into Canada General Fund (1954) Limited. If the merger is approved, the latter fund would have indicated total assets of more than $51,000,000.

The merger would be on the basis of respective net asset values with shareholders of Canada General Fund, Inc. receiving shares of Canada General Fund (1954) Limited. At asset values as of Sept. 30, this would have provided approximately 120 shares of the latter fund for each 100 shares of Canada General Fund, Inc.

The proxy statement accompanying the notice of the meeting points out that since the older fund was organized two years ago it has become possible to sell to United States citizens shares of investment companies organized under the laws of Canada under new rules and regulations of the Securities and Exchange Commission. Among the reasons cited by the management in the proxy statement for its decision to recommend merger, are:

"Canada General Fund (1954) Limited, being a Canadian corporation, is able to retain and reinvest capital gains and dividend income with little or no tax resulting to the corporation or its shareholders. Thus this new Fund, with its policy of accumulating income and capital gains, is a most desirable vehicle for long-term growth of the shareholders' principal, which has always been the primary objective of your corporation.

"The provisions in the new 1954 Internal Revenue Code which allow taxpayers a $50 exclusion and a credit (4%) for corporate dividends are denied shareholders of Canada General Fund, Inc. This disadvantage to shareholders of Canada General Fund, Inc. coupled with the distinct advantages afforded by investment companies organized under the laws of Canada convinced your directors that the best interests of shareholders would be served by organizing Canada General Fund (1954) Limited, a Canadian corporation, and to recommend to shareholders a merger of your company into the new company.

"Assuming the merger is approved, the new larger Fund will have a substantially lower operating expense ratio, and certain operating costs such as for disbursing dividends, will be eliminated, thereby increasing the amount of income which can be reinvested for the benefit of shareholders.

Shareholders may effect the

Incorporated Income Fund Shares Offered Today by Kidder, Peabody

Public offering of 1,400,000 shares of Incorporated Income Fund common stock is being made today by Kidder, Peabody & Co. and associates. The stock is priced at $8 per share.

The Fund, organized in September, 1954 by the management of Incorporated Investors, will become an open-end investment company at the completion of this public offering, and its shares will then be redeemable at net asset value.

Additional shares, however, will not be offered until early 1955 after the record date for the first quarterly dividend, according to present plans. The fund has a contract for investment advisory services with The Parker Corporation, which also acts as investment adviser for Incorporated Investors, founded in 1925, the third oldest of the mutual funds.

Investment policy will differ somewhat from that followed by many mutual funds in that Incorporated Income Fund will select securities which have as liberal a yield as possible consistent with investment quality. This, according to the company, will best serve investors to whom current income is of prime importance. Common stocks are expected to be the chief investment medium of the fund.

Capitalization of the fund consists of 3,000,000 shares of common stock.

Officers of the fund include: Charles Devens, President, who is also President of Incorporated Investors; George D. Aldrich, Vice-Chairman of the Board, who holds the same position with Incorporated Investors; and William A. Parker, Chairman of the Board, one of the founders of Incorporated Investors and Chairman of its Board. Mr. Parker is a director of several other financial and industrial corporations.

Other members of the underwriting group include: Bache & Co.; A. G. Becker & Co., Incorporated; Hayden, Stone & Co.; McDonald & Company; Dean Witter & Co.; Pacific Northwest Company; First California Company Incorporated; Walston & Co.; and Mitchum, Tully & Co.

change into the more desirable vehicle for investing in Canada without additional sales charges and without change of management."

Upon favorable vote by two-thirds of the outstanding shares of Canada General Fund, Inc., a closing date within two weeks thereafter will be set by directors for determining relative net asset values of both funds and establishing the ratio of shares of Canada General Fund (1954) Limited to be issued to holders of Canada General Fund, Inc.

Closed-End News

LEHMAN CORP.

Net asset value of The Lehman Corporation for the first fiscal quarter of 1954 was $168,003,645, equal to $39.94 per share of capital stock, compared with a net asset value of $31.92 per share at the end of the first quarter of 1953.

During the three month period, the corporation purchased securities, other than U. S. Government obligations, at a cost of $5,159,826 and realized $9,184,484 as the proceeds from securities sold, including the sale of $3,000,000 principal amount of American Telephone & Telegraph debentures and $600,000 Columbia Gas System, Inc. 3½% Debentures 1964. U. S. Government obligations, net cash and receivables amounted to $11,289,130, or 6.7% of net assets on Sept. 30, 1954 as against $4,805,875, or 3% of net assets three months ago. The corporation issued an additional 53,109 shares of its own capital stock in exchange for the assets of Franklin Fabrix, Inc., which consisted of cash, Government bonds and corporate securities with a value of $2,092,515.

Common stocks constituted 91.5% of net asset value at the end of this period, as against 92.1% three months earlier. Net unrealized appreciation amounted to $88,918,872, an increase of $6,376,571 for the first period of 1954. This compares with unrealized appreciation of $54,388,990 on Sept. 30, 1953.

New additions to the portfolio were: 15,000 shares Admiral Corporation; 10,000 shares Philco Corporation; 20,000 shares Calgary & Edmonton Corporation, Limited; and 5,000 shares Motorola, Inc. Chief increases were: 35,000 shares United Merchants and Manufacturers, Inc.; 4,800 shares Crown Zellerbach Corporation; 3,500 shares General Foods Corporation; 5,000 shares West Penn Electric Company; 3,100 shares Great Northern Paper Company; and 9,572 shares American Metal Company, Limited. Securities completely eliminated from the portfolio were: $3,000,000 American Telephone & Telegraph Company 3¾s 1965; 15,000 shares Northern Pacific Railway Company; and 5,000 shares R. J. Reynolds Tobacco Company "B." Among the other sales were: $600,000 Columbia Gas System, Inc. 3½% Debentures 1964, leaving $600,000 principal amount of the bonds in the portfolio; 7,998 shares of Ohio Edison Company, leaving 18,000 shares in the portfolio; 9,500 shares American Viscose Corporation, leaving 10,600 shares in the portfolio; 5,000 shares Climax Molybdenum Company, leaving 5,000 shares in the portfolio; 5,000 shares Anderson-Prichard Oil Corporation, leaving 11,500 shares in the portfolio; and 8,500 shares Chicago Corporation, leaving 21,500 shares in the portfolio.

ADAMS EXPRESS

The Adams Express Company recently announced that the net asset value of its common stock at Sept. 30, 1954 is estimated at $47.08 per share on 1,321,980 shares outstanding compared with $37.08 at Dec. 31, 1953 on the same number of shares then outstanding. Its holding of American International Corporation, a majority-owned subsidiary, is included at net asset value at both dates.

AMERICAN INTERNATIONAL

American International Corporation recently announced that the net asset value of its common stock at Sept. 30, 1954 is estimated at $29.65 per share on 938,000 shares outstanding compared with $23.39 at Dec. 31, 1953 on the same number of shares then outstanding.

Railroad Securities

Denver & Rio Grande — Baltimore & Ohio

Denver & Rio Grande Western is now in the process of final elimination of its 5% convertible preferred stock. Previously 100,000 shares was called for redemption as of Sept. 30, 1954 and now the remaining 39,145 shares has been called for Nov. 30. As the stock is convertible into one and a half shares of common, it is obvious that this last lot will be converted as was the previous 100,000 shares. Aside from the preferred that has been, and will be, converted, the company has apparently been buying in some of the stock so that dilution of common share earnings will not be so great. It is indicated that when the present operation is completed there will be approximately 885,900 shares of the common outstanding, compared with 588,727 shares outstanding at the end of last year. On the basis of this stock capitalization earnings last year would have amounted to $11.52 a share compared with the $15.40 actually reported on the stock outstanding at the time. Earnings this year will probably top $12 a share and despite the dilution analysts still consider the stock very attractively priced.

While the speculative section of the rail list has continued pretty much in the doldrums, there has been considerable activity in Baltimore & Ohio common at advancing prices in the past couple of weeks. This renewed interest was presumably generated by reports of a speech given by Mr. Howard E. Simpson, President, before the N. Y. Society of Security Analysts a short time ago. A feature of the talk was the announcement that an agreement has been reached, subject to ICC approval, for the sale of B. & O.'s interest in Southwestern Construction Company to Southern Railway, apparently at a price in excess of $15 million. Part of the proceeds from the sale will be used to retire $15 million of Secured 4s, 1965, thus reducing annual interest costs by $600,000. Earlier this year $10 million of these bonds had been retired in the transaction that had taken the issue out of the hands of the RFC and distributed it among various institutions.

Mr. Simpson further reported that studies were now being made as to possible refunding operations to reduce the average interest rate being paid by the company on its bonds. These developments are of particular interest to stockholders because when annual charges, which have been running at a rate of around $24 million, are reduced to $22 million, there is a substantial downward readjustment of the present heavy sinking fund requirements. Mr. Simpson remarked that this goal of $22 million charges might well be reached considerably sooner than was generally anticipated at this time. It was brought out that such a reduction in charges would mean that as much at $2 per share additional earnings that now go into sinking funds would be made available for possible dividends on the common stock.

The company has, of course, suffered severely in the current year from the curtailment of steel mill operations and from the sharp decline of coal movement. Strenuous efforts have been made to reduce expenses but even at that it is indicated that for the nine months through September net income was not much more than half the $21 million realized in the like 1953 period. More recently there has been some indication of improvement, and year-to-year comparisons from here on will be with a period in 1953 when traffic was declining fairly sharply. On this basis it now looks as if earnings, before sinking and other reserve funds, may top $6 compared with $10.02 last year. Probably some dividend will be paid on the common again in 1954 but at this writing it does not seem likely that it will match the $1 distribution of 1953.

Johnston, Lemon Offer State Loan & Finance Convertible Debens.

A syndicate headed by Johnston, Lemon & Co. on Oct. 12 offered $8,000,000 of State Loan & Finance Corp. 5% convertible capital debentures due Sept. 15, 1969, at 100% and accrued interest.

Net proceeds from the financing will be added to the company's general funds, and it is intended to use the funds substantially equivalent to the net proceeds to reduce outstanding bank loans.

The debentures are subject to redemption at the option of the company, at prices beginning at 104%, and for the sinking fund beginning on or before Sept. 15, 1956, at prices from 102%, plus accrued interest in each case. The debentures also will be convertible into the company's class A common stock at $13.51-13/37 per share prior to Nov. 1, 1959, and thereafter on a graduated scale to $25 per share.

State Loan & Finance Corp., with its principal executive office in Washington, D. C., is a holding company, and through its wholly-owned subsidiaries, is primarily engaged in the business of making small loans to individual borrowers. At July 31, 1954, the company operated 81 loan offices in 15 states as follows: Arizona, Colorado, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Missouri, New Jersey, Ohio, Oklahoma, Tennessee, Texas and Virginia. The company has acquired since Aug. 1, 1954, an additional loan office in Nashville, Tenn. and three more loan offices in Miami, Fla. In September, the company commenced operation of loan offices in Arlington, Danville and Martinsville, Va., and East Point, Ga. The new office in Arlington is the company's third in that community.

Consolidated operating income of the company and its subsidiaries for 1953 aggregated $8,787,650 and net income amounted to $1,212,230. For the seven months ended July 31, 1954, an unaudited report showed consolidated operating income of $5,749,551 and net income of $931,999.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert S. Kendall is with Hannaford & Talbot, 519 California Street.

Two With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Gerald H. VaVerka and Karl H. Vesper have become connected with H. L. Jamieson Co., Inc., Russ Building.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Zizz Black, Keith E. Goodwin and Isaac T. Jackson have joined the staff of Mutual Fund Associates, 444 Montgomery Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Dividend declarations by insurance companies so far this year have been quite favorable and the outlook for larger payments during the next several months is promising.

Aided by an improving underwriting operation and a continuing gain in investment earnings, several of the large institutions took steps in the first part of the year to increase their distributions to stockholders. Particularly noticeable was the number which used stock dividends as a means to increase stockholders' participation. Among some of the major companies that have taken such action are those mentioned below.

In April of this year Hartford Fire paid a 25% stock dividend on the outstanding shares. The 75-cent quarterly dividend was continued on the additional shares so that stockholders this year will receive on the present outstanding shares the equivalent of $2.70 as against $2.40 on a comparable basis for 1953. The continuance of the quarterly rate indicates a payment of at least $3.00 for next year.

The Insurance Company of North America also paid a stock dividend. The distribution was 20% and was made at the end of 1953. The continuance of the 62½-cent quarterly payment will mean at least $2.50 a share this year compared with $2.29 on a comparable basis last year. Also it is possible in view of current conditions that an additional payment will be made later this year bringing the total payment for 1954 above the indicated $2.50 rate.

Pacific Indemnity is another company that has paid a stock dividend this year. In April a 20% stock payment was made and the 75-cent quarterly dividend continued on the additional shares. Thus for the year 1954 stockholders will receive at least $2.75 a share on the present stock as compared with the equivalent of $2.50 last year. The maintenance of the quarterly payment indicates a $3.00 distribution for next year.

In March of this year Fidelity & Deposit paid a 33⅓% stock dividend. The quarterly dividend of 75 cents was continued on the new shares and together with previous payments and a small extra at the beginning of the year, brought 1954 distributions to $3.00. In 1953 $3.00 was also paid on the smaller number of shares or the equivalent of $2.25 on the present stock.

One of the more recent stock dividend actions is that of the Phoenix Insurance Company of Hartford. On Aug. 2 of this year the Phoenix declared a 33⅓% stock dividend payable Oct. 15. Prior to this distribution the company paid 85 cents each quarter or $3.40 on an annual basis. If the present payment is adjusted for the new shares, it would be equal to $2.55. It is understood that 75 cents quarterly, indicating an annual rate of $3.00 will be declared on the new shares after distribution of the stock dividend this month.

A number of other companies have directly increased their cash payments to stockholders this year. Among others they include Camden Fire, American Insurance, Firemen's Insurance of Newark, Pacific Fire, Fireman's Fund, and Northern Insurance Co.

Within the next three months most of the fire and casualty companies will be meeting to consider final dividend declarations for 1954 or the initial payments of 1955. Present indications are that a number of additional companies will see fit to increase their payments to stockholders at that time.

In the first place present distributions in spite of recent increases, are still conservative. Historically, fire and casualty companies have distributed about 75% of investment earnings as dividends. In recent years because of capital needs and conservative practices, this percentage has been below 60% with many companies paying out less than 50%. Thus the normal course of events would indicate a more liberal treatment of shareholders.

Another consideration in this connection is that investment earnings this year are likely to reach new records. For the first half the gain for a representative group of companies was close to 8%. Aided by a larger volume of investment funds, an increase in dividend payments on stock holdings and a better return on invested assets, earnings from investments should continue to gain. This should encourage action favorable to shareholders.

The final factor we wish to mention is the level of stock prices. Many of the issues have risen substantially during the past year to a point where they are relatively high in terms of share figures. This in itself brings about a desire in some instances for stock-splits or stock dividends which also encourages the payment of larger cash dividends.

Thus, during the next few months we would expect a number of dividend actions favorable to the holders of fire and casualty shares.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

S. Sloan Colt, President of **Bankers Trust Company of New York,** on Oct. 11 announced the election of E. Jack Sitgreaves as Vice-President. Mr. Sitgreaves, formerly Assistant Vice-President, is in the Banking Department where he specializes in correspondent bank activity. At the same time, Mr. Colt announced that John W. Hannon, Jr., has been promoted from Assistant Treasurer to Assistant Vice-President. Mr. Hannon, a member of the Banking Department, is associated with the Southwest Group in the out-of-town division. Mr. Sitgreaves became associated with Bankers Trust Company in 1946. A native of Pennsylvania, he attended high school in Easton, and the Wharton School of Commerce and Finance at the University of Pennsylvania. In 1926 he joined the Department of Banking of the Commonwealth of Pennsylvania, and rose to the post of Deputy Secretary of Banking. In this capacity he collaborated in the compilation of the First Digest of the Banking Laws of that State, and represented the Department in drafting the principal banking Codes for the State, which were enacted into law in 1933. In 1935, he was elected Executive Vice-President and Trust Officer of the Easton Trust Company, of Easton, Pa., and subsequently held the Chairmanship of the Trust Section of the Pennsylvania State Banking Association. From 1942 to 1945, he served the U. S. Army Air Forces, both in the United States and in the Mediterranean Theatre, with the rank of Major. Mr. Hannon joined Commercial National Bank in 1946, and came to Bankers Trust at the time of the merger of the two banks in 1951. A native of New Jersey, he attended the University of Pittsburgh and St. Lawrence University, from which he received the Bachelor of Arts degree.

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The largest class in the history of the Quarter-Century Club of the **Hanover Bank of New York** was initiated on Oct. 11 when 191 men and women with 25 years' service were added to the roster at the 14th annual dinner at Hotel Commodore. All but five of the latest veteran class still are employed by the bank. Total club membership rose to 735, of which 120 are honorary members. Forty-one active members have 40 or more years' service with The Hanover. R. E. McNeill, Jr., Hanover President, addressed the group. Thomas Hudson, Club President, presided. William A. Bayreuther, an Assistant Vice-President of the bank, was installed as new President of the club. William H. Davidson headed the dinner committee.

* * *

A proposed consolidation of the **First National Bank of Inwood, at Inwood, L. I., N.Y.** and **The Franklin National Bank of Franklin Square, Long Island** under the name of the charter of The Franklin National, was jointly announced on Oct. 5 by William F. Rhinehart and Arthur T. Roth, Presidents of their respective institutions. Meetings of the Boards of Directors of both banks have been held and have unanimously approved the consolidation. The Office of the Comptroller of the Currency has given preliminary approval subject to the approval of the agreement of consolidation by the stockholders. The combined institution will have total resources of about $267,000,000 upon completion of the consolidation. The resources of The Franklin National Bank on Sept. 30, 1954 were $254,763,000 and those of The First National Bank of Inwood were $12,397,000. William F. Rhinehart will become Vice-President in charge of the Inwood Office and a Director of the consolidated bank.

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The Millerton National Bank of Millerton, N. Y. raised its capital as of Sept. 29 from $60,000 to $100,000 by a stock dividend of $40,000.

* * *

The Board of Directors of the **National State Bank of Newark, N. J.,** one of the oldest banking institutions in the nation, on Oct. 7 recommended to stockholders a change in the par value of the bank's shares to $25 a share from $100 a share and an increase in the number of authorized and issued shares to 125,000 shares from 20,000 shares, it was announced by W. Paul Stillman, President. A special meeting of stockholders has been called for Oct. 19 to amend the charter to provide for the changes. Subject to approval by Stockholders at the special meeting, the Board of Directors also on Oct. 7:

(a) Voted to split the presently outstanding shares four-for-one, by exchange of our new $25 par value shares for each present $100 par value share.

(b) Declared a stock dividend of 25% on the shares to be outstanding after the split-up, payable Nov. 9 to stockholders of record Oct. 19.

(c) Voted to increase the bank's capital funds by $2,000,000 by offering subscription rights to stockholders to purchase 25,000 additional shares at $80 a share in the ratio of one new share for each four shares held after the split-up and receipt of the stock dividend. The offering of additional shares to stockholders will be underwritten by a group comprising Clark, Dodge & Co.; Union Securities Corporation, and Adams & Hinckley.

(d) Stated their intention, subject to future earnings, to establish the new stock on a $4 annual dividend basis, which after the split-up and stock dividend would be equivalent to annual dividends of $20 a share on the old stock compared with regular dividends of $16 a share at present.

Capital funds of the bank, after giving effect to the proposed offering to stockholders, will approximate $14,000,000, comprising capital of $3,125,000 and surplus and undivided profits of $11,000,000. Founded in 1812, National State Bank on Sept. 30, 1954 had total resources of $185,790,387. Deposits totaled $172,247,557. The bank operates 11 offices of which nine are located in Newark, one is located in Orange, N. J. and one in Irvington, N. J.

The proposed 25% stock dividend would be the third stock distribution dividend paid by the bank in recent years. In 1947 a 100% stock dividend was paid and in 1952 one of 33⅓% was paid. The Bank has paid cash dividends continuously since 1813.

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The capital of the **Security Bank of Washington, D. C.,** became $1,000,000 on Oct. 1 having been raised from $800,000 as a result of a stock dividend of $200,000.

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The Washington Loan & Trust Company of Washington, D. C., a State member of the Federal Reserve System and the **Riggs National Bank of Washington, D. C.,** consolidated under the charter and title of **Riggs National Bank** on Oct. 1, according to the weekly announcement by the Board of Governors of the Reserve System Oct. 2. The former main office and the branch heretofore operated in Washington by The Washington Loan & Trust Co. will be operated as branches by the Riggs National Bank.

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The Riddell National Bank of Brazil, Indiana has enlarged its capital to the extent of $50,000 by a stock dividend of that amount, thus increasing its capital from $150,000 to $200,000. The new capital became effective Sept. 15.

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As of Sept. 29 the **First National Bank & Trust Co. of Kalamazoo, Mich.** reports a capital of $1,500,000, increased from $1,250,000 as a result of the sale of $250,000 of new stock.

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Effective Sept. 15, the capital stock of the **Scottsbluff National Bank of Scottsbluff, Neb.** was increased from $225,000 to $300,000 by a stock dividend of $75,000, according to a release of the U. S. Comptroller of the Currency.

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A stock dividend of $1,000,000 has raised the capital of the **Fourth National Bank in Wichita Kansas,** effective Sept. 23, from $2,000,000 to $3,000,000.

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The voluntary liquidation on Aug. 20 of the **First National Bank of Buechel, Ky.** (with a common capital stock of $100,000) folowed its absorption on that date by the **First National Bank of Louisville, Ky.**

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The U. S. Comptroller of the Currency announced on Sept. 30 the issuance of a charter for the **Industrial National Bank of Miami, Florida,** with a capital of $650,000 (of which $450,000 is common and $200,000 preferred stock). In addition the bank has a surplus of $1,274,698. The bank is a conversion to the National system of the **Industrial Savings Bank of Miami.** Leonard L. Abess is President and Mary B. Mitchell Cashier of the bank. The conversion of the bank became effective Oct. 1.

* * *

The Capital City National Bank of Tallahassee, Fla. tripled its capital of $100,000 to $300,000 effective Sept. 20. $100,000 of the increase was brought about by a stock dividend of that amount, a further $100,000 having resulted from the sale of that amount of new stock.

* * *

Announcement made on Sept. 28 by Wallace M. Davis, President of **the Hibernia National Bank in New Orleans, La.,** following the meeting of that bank's Board of Directors on that date, that good earnings had warranted the transfer of $500,000 from the bank's undivided profits account to its surplus account. The capital funds of the bank now exceed $9,000,000 with capital $2,500,000, surplus $5,500,000, and undivided profits in excess of $1,000,000. In a period of less than four years, the capital funds of the Hibernia National Bank have been increased from $6,000,000 to over $9,000,000, of which $1,000,000 was new capital sold to the bank's shareholders in 1952. Mr. Davis said, "This allocation of $500,000 to our fixed capital structure places the bank in a position to give additional service to the rapidly growing financial needs of this region."

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The death is announced of Vice-President Walter H. Schulke of the **First National Bank and Trust Company of Helena, Mont.,** on Oct. 1.

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Shareholders of the **Anglo California National Bank,** of **San Francisco** at a special meeting on Oct. 5 approved a proposal to increase the capital stock of the bank, Paul E. Hoover, President announced. Under the plan, the capital stock of the bank will be increased 262,500 shares, to be sold at $45 per share. Shareholders of record at the close of business Oct. 5 will be permitted to subscribe for the new stock at the rate of 1 new share for each 4 shares held. Transferable subscription warrants will be issued and will expire on Oct. 27. The stock offering will be underwritten by a group headed by Blyth Co., Inc., as noted in our Oct. 7 issue, page 1403.

Anglo Bank presently has 1,050,000 shares of $20 par value common stock outstanding, the number having recently been increased by 50,000 shares in connection with the merger on Oct. 1 of **The Bank of Eureka of Eureka, Cal.,** into Anglo Bank. The additional 262,500 shares will bring the total number of shares outstanding to 1,312,500. Anglo's capital, surplus, undivided profits and unallocated reserves now aggregate approximately $50,000,000. Upon completion of the new financing Anglo's capital funds will amount to more than $61,400,000. Anglo Bank's assets at present exceed $825,000,000. With the establishment of an office in Eureka at the close of business on Oct. 1, Anglo has 39 offices in 24 communities in northern and central California. The number will be increased to 40 later this month when the bank opens a fifth office in the Sacramento area.

A. J. Franceschi, Vice-President of **The Bank of Eureka,** becomes Vice-President and Manager of Anglo's Eureka office, Mr. Hoover announced. C. F. Edson and W. P. Walker, Vice-Presidents of The Bank of Eureka, will be Vice-Presidents of Anglo Bank. J. E. Locke, S. F. Matthias and F. G. McClaskey, Assistant Cashiers of The Bank of Eureka, become Assistant Managers. Directors of The Bank of Eureka will constitute the membership of Anglo's Eureka advisory board.

Mr. C. H. Palmtag, who has been connected with The Bank of Eureka since 1895 and who has been its President since 1922, will retire from active duties at the bank. He will, however, continue his association with the bank as a member of the advisory board.

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The Directors of **The Bank of California, N. A., at San Francisco,** at their regular meeting, elected William Q. Walden Assistant Manager at the bank's Martinez office. The appointment became effective Oct. 1. Mr. Walden, prior to joining The Bank of California this year, held the position of Cashier at **First National Bank in Corcoran, Calif.**

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The Valley National Bank of Alhambra, Cal. increased its capital (effective Sept. 29) from $250,000 to $375,000 by the sale of new stock to the amount of $125,000.

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Dana C. Geiselman, Assistant Vice-President of the **California Bank of Los Angeles,** has completed thirty years of service with the bank. He is a graduate of Creighton University's school of law and was associated with banks in Nebraska for ten years before joining the staff of California Bank in 1924.

A. H. Smith, Vice-President, of **California Bank's Van Nuys Office,** has completed his twenty-fifth year with the bank. Assistant Cashier Earl C. Porterfield, Head Office, and George H. Wyman, Manager of the **Florence and Compton Office** have also recently completed twenty-five years of service.

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Maj.-Gen. George P. Vanier, D.S.O., M. C., LL.D., former Canadian Ambassador to France, has been appointed a member of the board of directors of the **Bank of Montreal at Montreal Canada.** Maj.-Gen. Vanier, who has held many important diplomatic and military appointments, is also a member of the Canadian board of directors of the Standard Life Assurance Company, and a director of the **Credit Foncier Franco-Canadien.**

Continued from page 3

Life Insurance Investment Under Full Employment

penditures, taxation and the government debt.

Now let us review briefly how these mechanisms have been utilized in the recent past. In 1952 and early 1953 there were many evidences that we were in an inflationary boom, accompanied by over-employment. Also, the structure of our national debt was considered by most economists and experienced financiers to be unsound because of the very large volume of short-term issues which could so easily be utilized as a means for inflating the money supply. The new Administration had pledged itself to restoring a sound dollar by curbing the inflationary threats and by an orderly refinancing of the national debt. Both of these objectives were clearly in compliance with the Employment Act of 1946 since boom and inflation carried the almost certain implication of recession and unemployment later on.

As you are aware, the Federal Reserve took active steps to curb the inflationary expansion of the money supply during 1952 and early 1953, while in May of 1953 the Treasury launched in a modest way its first effort to refinance part of the debt into long-term issues suitable for permanent investors rather than for banks. As a result, interest rates rose, bond prices declined and very soon there was an increasing hue and cry of protest from nearly everyone, even from those who had long professed their sincere belief in the necessity of preserving a sound dollar. The new medicine was found unpalatable. Predictions of mass unemployment were common. It was claimed that mortgage money had become nearly unobtainable, that the building industry was headed for a bust, that the position of many banks was being imperiled by the decline in the market value of their investment portfolios; and of course partisan politicians left no stones unturned to further their own cause.

It can be argued that the Federal Reserve had gone too far in its restrictive policy and that the Treasury financing in mid-1953 was ill-timed. It can be argued, and certainly I would so argue, that the Federal Reserve quite wisely modified its policy in May. But if it be true that the banking position had become too stringent by May a year ago, it is also true that as a result of the subsequent actions of the Federal Reserve the situation had been substantially corrected by early autumn. By late September, 1953, borrowings from the Federal Reserve Bank had been drastically reduced until they were well below the total volume of excess bank reserves. Ample credit was again available on reasonable terms.

This policy from May to early autumn 1953 has been officially described by the Federal Reserve as one of "combating the deflationary tendency." But as the autumn of 1953 progressed, the emphasis of the Federal Reserve changed; first to "promoting credit ease" and then to promoting and maintaining "active ease."

A superabundance of credit was made available and interest rates nose-dived.

We have a situation today as a result of this more aggressive Federal Reserve policy where we find that, as compared to a year ago, the total money supply has increased in spite of the fact that the volume of business is lower. The demand for bank credit is running nearly 10% under last year. We find that excess reserves of the member banks in recent weeks have been running at an average of approximately $800 million and that the borrowings of these same banks from the Federal Reserve have declined to inconsequential levels. Thus, not only is the present money supply substantially larger than it was a year ago, but the potential for further expansion is very large.

As far as debt management is concerned, plans for refinancing through a long-term issue have apparently been shelved repeatedly for fear that a new issue of long bonds might divert funds from private industry and especially from the mortgage market. Indeed, many people are beginning to wonder when, if at all, such refinancing can be done without interfering with the mandate of full employment.

Monetary Management—A One-Way Affair

Economists have long pointed out that in a democracy monetary management tends to be a one-way affair. Monetary ease and low interest rates are always popular. Credit stringency and high interest rates are always unpopular. Despite this, many people had hoped that a courageous and independent Federal Reserve Board would be able to keep this predilection in favor of easy money within reasonable bounds. Under the Employment Act of 1946, however, the former tendency toward easy money has now become an inescapable certainty. Our recent experience is the first concrete proof of this disturbing fact, for it is only during the past couple of years that we have had the combination of a strong and independent Federal Reserve Board on the one hand and a declining trend in business and unemployment on the other.

It is important to note that the increased volume of money that has been injected into the economy during the past year, which is in excess of the nation's business needs, is a permanent injection. With any improvement in business, there will automatically be a further expansion in the money supply since the expanding credit requirements of business will automatically create expanding bank deposits. While the Federal Reserve could offset this, it is unlikely, to say the least, that the Board would risk nipping business improvement in the bud by restrictive open-market operations. So what it seems we must look forward to, under the Employment Act of 1946, are periods of artificially induced easy money and monetary expansion whenever employment starts to turn down; still more monetary expansion during business recovery; and that we may look for credit restriction only on rare occasions when boom and inflation have become clearly obvious.

Boom and inflation are not always obvious. It is often difficult to put one's finger on where inflation is taking place. For instance, in the late 1920's, it was frequently argued there was no inflation, merely because commodity prices were stable. Yet surely there was a great and disastrous inflation in many areas—in stock prices, in city real estate, in bank credit, in a myriad of such incidental things as the price of pictures, night clubs, and bootleg liquor.

Today, once again commodity prices are reasonably stable; but nevertheless I submit we are in an inflationary frame of mind, and it is dominating long range business planning. To me one of the most interesting present phenomena is the fact that most informed people, whether they be bankers, businessmen, insurance men, economists, or whatnot, have apparently accepted further long-term deterioration of the dollar as inevitable, and they have decided to act according to this conviction. No longer are eyebrows raised nor protests made when people predict that the value of the dollar will go lower and lower. The debate is not as to the direction of the dollar but how low it will go and how soon.

Many of you in this room were present a couple of weeks ago at a most enlightening session at a New York bank where the economic outlook for the oil and natural gas businesses was discussed at length. Nobody, as far as I could make out, was either shocked or surprised when one of the foremost oil economists in the world included the future depreciation of the dollar as a vital factor in determining the future dollar earnings and the future dollar capital requirements of the oil industry, and incidentally, as a vital factor in a probably long-term rise in the market value of oil common stocks.

It is only natural that people, once they have convinced themselves that long-term inflation is inescapable, should explore ways to protect themselves. Since the ownership of gold is now illegal in this country, the tendency is to look to the experience in other countries where inflation has taken place. In country after country, it has been demonstrated that ownership of property, including common stocks, offers some hedge against the declining value of money. It is impossible to say how far the search for ownership of property as an inflation hedge has gone in this country. However, it may not be a coincidence that stock prices stopped declining and turned upward a little over a year ago when the full implications of the aggressive turn in Federal Reserve policy first became evident. This past year's stock market rise, may I remind you, has been something over 40% as measured by the Dow Jones industrial average.

We in the life insurance business have long prided ourselves on our ability to adjust our operations to changing conditions and the changing requirements of the public. I am sure I do not know the answer, but I sometimes wonder if we are now giving full recognition to the changes that seem to have taken place in our economic surroundings. Are we investigating with sufficient thoroughness the question of whether or not we are offering a full kit of insurance protection, or are we perhaps a little too content with our achievements?

What Should Be the Trend of Insurance Investments?

To take a narrow field first, should we be reorienting our investment ideas? By law and custom, the majority of our assets have always been in fixed income obligations. I am not for a minute advocating that we should discontinue investing in such media, but I pose this question: Are the types of corporate bonds and preferred stocks that are being issued in the market place nowadays as attractive from a long-term standpoint as they used to be? Under a national policy of periodic artificially induced low interest rates, our bond portfolios are periodically subject to redemption at relatively low call premiums and to refinancing at lower rates of interest. We saw this "heads they win, tails we lose" happen to us in the mid-1940's, again in 1950, and we are seeing it again now. Unfortunately, there doesn't seem to be much we can do about it because there apparently are plenty of institutions who are willing to buy callable bonds on this disadvantageous call price setup. Query: Should we be looking harder at other investment outlets? If the answer is yes, then we run up against the problem of legal restrictions, which in many states are quite stringent regarding other types of investment. Should we, therefore, be giving greater consideration to having the investment part of the laws modernized to meet present requirements and opportunities?

Turning partly, but not altogether, from the investment aspect of life insurance, let us take a look at three other developments during the past couple of years. I do not know how significant they are, but one does not have to stretch his imagination very far to reach the conclusion that they might greatly alter the competitive position of life insurance and its long-term future.

The first of these developments is the growth in the volume of noninsured pension plans and the increasing competition we are meeting from administered and bank trusteed plans as against life insurance plans.

Second, there is increasing competition from packaged plans combining some form of life insurance on the one hand and mutual investment companies on the other.

Third, we have seen the emergence of variable annuity plans either to supplement or replace the fixed dollar annuities offered by life insurance companies.

At the last meeting of the Million Dollar Round Ttable one whole panel was devoted to a discussion of insured vs. noninsured pension plans. This, of course, was not the first time this subject has been vigorously debated — I cite it merely to emphasize that it has become more than an academic subject. Incidentally, the assets of noninsured plans are now estimated at nearly $9 billion, with an annual flow for investment of nearly $1½ billion.

Non-Insured Pension Plans

Now one of the important arguments used by proponents of noninsured pension plans is that they are not as restricted in their investment operations as are life insurance companies. They point out that operating under the prudent investment theory, they can, and usually do, hold a high percentage of their assets in common stocks. They argue that as compared to fixed income investments common stocks offer not only a higher income but the possibility of appreciation; and consequently, they say, the cost of carrying a pension will be lower in a noninsured plan. This is not the place to discuss the very valid offsetting arguments which we life insurance companies can offer. But regardless of the merits of the argument either way, it is undeniable that the appeal of common stocks for pension fund investment is very potent to cost-conscious managements at a time when they are convinced that the long-term trend of the dollar is downward. Should we in our business be reexamining the question of common stocks for life insurance investment, and should we make an effort to have the laws further liberalized so as to permit more than an insignificant percentage holding in equities?

Very much the same type of argument is being used in the packaged sale of combined insurance and mutual investment company plans as is used for noninsured pension plans. I doubt if anyone in this room would argue that life insurance is the only form of investment which prudent people should buy, and certainly everyone will agree that soundly administered investment companies, like any soundly conceived investment security program, fill a useful place in the investment world. The important question which we should perhaps be considering is whether there is a legitimate demand that among the insurance plans that are available there should be some that combine protection on a fixed dollar basis and also some protection on a purchasing power basis. If there is such a legitimate demand, why should not the life insurance business try to work out a method of offering it under its own investment management?

The idea of variable annuities is not new, but it was not until 1952 that the theory was translated into actuality with the passage of special legislation in New York State creating the College Retirement Equities Fund which is affiliated, as you know, with the Teachers Insurance & Annuity Association. There are also several pension trusts which have recently been established having variable annuity plans to supplement conventional plans.

This year a bill was passed by the N. Y. Legislature, but vetoed by the Governor, which would have permitted the establishment of a variable annuity corporation to sell annuities to the public. George Johnson of Teachers Insurance, one of the proponents of this legislation, explains the convictions of the sponsors as being based primarily on two conclusions:

"First, the public should not be compelled by law to restrict annuity purchases exclusively to annuities payable in a fixed number of dollars — annuities that cannot vary with the cost of living, annuities that must necessarily dwindle in purchasing power during inflation.

"Second, the public should not be compelled by law to commit all provisions for future security through annuities to annuities based entirely, or almost entirely, on bond and mortgage investments which on the average have yielded less than common stocks."

These two arguments are provocative, to say the least, and perhaps they could be extended beyond annuities to life insurance itself. Should we be giving consideration as to whether we should add such a variable contract to the several types we now offer for annuity and insurance protection? If the answer is yes, we know we face formidable technical and legal difficulties which will take time to solve, if indeed they can be solved. I am sure I have not reached an answer myself, but I submit these questions merit our serious consideration.

A Summary

In closing, may I summarize by saying that it seems to me there is convincing evidence of important basic changes in our economic surroundings, particularly in the utilization of monetary and fiscal techniques and in their results. It seems to me possible that these will have greater effects over the years upon life insurance investment, upon life insurance techniques and upon our competitive position in the American economy than we have yet fully grasped.

To be specific, I believe the best brains in our industry should be giving consideration as to the advisability of seeking further liberalization and modernization of our investment statutes so as to permit greater latitude in investing in real estate, including purchase and leasebacks, in forests and similar natural resources, as well as in common stocks. Perhaps also we should be reexamining some of our ideas as to how life insurance assets should be valued, particularly as regards preferred and common stocks. I believe we should be investigating the possibility of our providing forms of annuity and life insurance protection which could be geared in part, at least, to changes in the purchasing power of the dollar. If these questions are to be approached, it must be with open minds, not fettered by a blind allegiance to the beliefs and customs of the past. Of one thing I am sure, if we fail to offer all the kinds of protection which the American public legitimately needs and wants, somebody else will offer it and take the business away from us.

Federal Farm Loan 2¼% Bonds Offered

The 12 Federal Land Banks offered publicly yesterday (Oct. 13) a $184,150,000 issue of 4-year consolidated Federal farm loan bonds through Macdonald G. Newcomb, their fiscal agent.

This new issue of bonds bears interest at 2¼% per annum payable semi-annually starting May 1, 1955. The bonds are being offered at 100% plus accrued interest through a large nationwide selling group of recognized security dealers.

The bonds will be dated Nov. 1, 1954 and will mature Nov. 1, 1958.

Net proceeds from the sale are to be used to retire two issues of consolidated Federal farm loan 2½% bonds both of which mature on Nov. 1, 1954, and to provide funds for lending operations. One of the maturing issues was dated Nov. 1, 1951 and is outstanding in the approximate amount of $70,600,000. The other was dated Jan. 2, 1953 and is outstanding in the approximate amount of $100,500,000.

The consolidated bonds being offered are the secured joint and several obligations of the 12 Federal land banks. The banks are Federally chartered institutions operating under the supervision of the Farm Credit Administration.

Frank D. Newman Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Nancy S. Royce has been added to the staff of Frank D. Newman & Co., Ingraham Building.

With B. J. Van Ingen

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Fred B. Clark has been added to the staff of B. J. Van Ingen & Co., Inc., du Pont Building.

Joins F. Burton Smith

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Abbott L. Browne has joined the staff of F. Burton Smith, Florida Bank Building.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Marion M. Aydelott is now with Goodbody & Co., 218 Beach Drive North.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — H. Chester Stolee is now affiliated with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Forms H. H. Wigh Co.

(Special to THE FINANCIAL CHRONICLE)

KINGSBURG, Calif. — Herbert H. Wigh is engaging in a securities business from offices at 1515 Craper Street. He was formerly with Loren S. Smith.

Joins Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cali. — Harry Kolb has joined the staff of California Investors, 3924 Wilshire Boulevard.

Continued from page 14

Consumer Credit Impact on Production and Employment

simply broadened our horizons, economically speaking. Having demonstrated that debt is not a liability but an asset, we are in process of proving that borrowed money is actually income. We not only spend what we have but what we have not. Since what we have not is limitless and indefinite, it is obvious that spending on such a basis also has no limitation.

"This is known as the 'purchasing power theory.' We are not sure that we understand it, but it is only fair to say that we do not understand nuclear fission or the fourth dimension either." On the other hand, advertising, sales, and consumer credit executives are uniformly of the opinion that consumer credit and notably instalment credit (in 1953 it constituted over three-fourths of the total) is one of the major forces explaining the high sustained levels of American prosperity in recent years.

Even the National City Bank of New York states in its Bank "Letter" for July this year:

"A clear and timely explanation of the secret of this country's exceptional economic progress was given before the international Labor Conference, meeting in Geneva, Switzerland, by William L. McGrath, United States employer delegate. The speaker, who is President of the Williamson Heater Company of Cincinnati, Ohio, made the first successful attempt in many years to get across to an ILO gathering the positive side of U. S. industry's economic philosophy.

"Following are a few excerpts from Mr. McGarth's address.

"'Under the spur of competition, manufacturers in the United States awakened to the fact that it is the customer, not the manufacturer, who determines, the market — and that the place to start is with the customer. . . .'

"'Take television, as an example. When television first came out in the United States, a set cost over $300. But merchandising and advertising went to work on the public imagination until hundreds of thousands of people **wanted** television. Today the industry manufactures about 3,000,000 sets a year and employs nearly 400,000 people.

"'That is an illustration of how **persuading people to want something**—something, mind you, that they didn't really **have** to have—has added to productivity and employment, as well as the standard of living.

"'You may say that the United States has television because it is richer. I say that the United States is richer because it developed and sold television. It created a great industry out of an invention and human desires.'"

Merchants look upon consumer credit as a new and powerful marketing instrument destined to serve an ever larger place in the modern economy. Due to industrialization, suburbanization, mass production, mass consumption, and the growing importance of big ticket durable items in everyday standards of living, consumers are compelled to handle their financial affairs in accordance with precepts that seem heterodox to old-timers. Instalment credit is but a financial symbol of changing U. S. living habits.

In many cases it represents the easiest and sometimes the only way in which households find themselves able to make themselves save. They find going into debt an effective way to police their appetites, control their expenditures, and budget their income. They contract or force themselves into acquiring what in essence are consumers' investment goods.

Even the most hard-headed conservatives have traditionally approved borrowing wisely to buy a home. But they tended to define a home in terms of the house without much in it except heating and plumbing equipment and electrical fixtures. Moreover, it used to be easy to reach home. But a location in a roomy suburb is almost a necessity today, at least for a family with young children. The automobile is fully as essential as heating and plumbing equipment. Thus not merely the garage is being sold with the house. New items are constantly being included: refrigerators, washing machines, garbage disposal units and indeed rugs. Money-lenders now cover most of these items in the over-all mortgage. In fact the Federal Housing Administration allows rugs to be included under the FHA loan which, in effect, means governmental approval for buying them on time.

This suburban motorized living has made two substantial industries out of gardening and do-it-yourself. The automobile has created a host of new markets, detemined the location and decentralization of shopping centers, stimulated tourist travel, motels, out-of-the-way and unusual eating and recreation places, and so on. In short, buying consumer durables on time seems to many but a modern adjustment equal in dignity and status to the old-fashioned borrowing to buy a home.

The effect dollar for dollar on production and employment is just as stimulating as the old-fashioned construction boom. Consumer investment operates just as does business investment or government investment—with a multiplier effect. The dollars borrowed to buy an automobile, like the scriptural bread cast upon the waters, returns and flows through the economy multiplied several fold. Not only the automobile retailer and manufacturer feel the stimulus but their suppliers, the producers of raw materials and services, the ancillary industries, the enterprises in suburbia, the new extensions of gas and other utility connections, the one-stop shopping centers, outdoor movie theaters—the chain runs on and on of induced, derivative and further investment, production, and employment set in motion by an expansion of consumer borrowing.

Thus far compared with other forms of borrowing it is still so small as to be of relatively secondary importance. Compared with $68 million of commercial bank loans in 1953, or the $51 billion of total gross private domestic investment, or the total of $277 billion of private debt (including $15.6 billion of corporate debt and $70 billion of non-farm mortgage debt) the total of consumer credit, roughly $29 billion is small, changes in consumer borrowing can hardly be a major factor supporting production and employment, except, of course, in the industries which most depend upon it—automobiles, kitchen and heating appliances, furniture, radio, television and housefurnishings.

At times the additional purchase of consumer and other durables induces or makes necessary a considerable increase in investment in the capital goods industries. This is familiarly known in the economic textbooks as the accelerator principle. Particularly while a boom is generating, an industry may find itself producing about at capacity—partly for a replacement market and partly for new buyers. To take arbitrary percentages, suppose that the industry is geared to replacing 10% of existing automobiles or appliances a year, and adding 10% to the number of owners. As incomes rise not only does the number of new buyers increase, but youthful couples and others anticipating that their incomes will increase are precisely the ones who most justifiably and easily borrow. And according to the Federal Reserve Board they are precisely the ones that do borrow.

The result is two-fold. Cars are replaced more rapidly. A surge of new buyers hits the market. Suppose there is a 5% increase in the replacement rate so that it becomes 15%. Thus three new buyers come in for two that came in the year before. Then, if the industry is operating near capacity, the only way it can meet such increased demand is to make plans for expanding its capacity from a figure representing 20% of existing car population to 30%. In short it tends to increase its investment by some 50%. The further effects are obvious.

Thus, there are times when increases in consumer credit operate with leverage effect on the level of production and employment, both on the upswing and on the decline. In brief, the amplitude of booms and busts may in the past have been increased slightly by the fact that increases and decreases in consumer credit vary with the cycle rather than inversely.

II

Statistically, the net effects of consumer credit on total production and employment are virtually impossible to measure. The available data do, however, indicate tentative answers to some of the hypotheses and propositions discussed thus far.

(1) How wide spread is consumer credit? According to the Federal Reserve Board in early 1954 about 55% of the nonbusiness spending units owed some short- and intermediate-term consumer debt and about 45% owed none. At all income levels at least six in every 10 purchasers of major consumer durable goods or home improvements and repairs had some consumer debt in early 1954. The median total fixed payment for all spending units was $60 a month, or about 22% of median 1943 disposable income. Consumers with relatively stable incomes before taxes, or $4,000-$5,000, particularly those expecting an increase in income and young married couples with children, had the largest commitments relative to disposable income.

(3) Do consumers save less sumer credit been out of line with the increase in spending for consumer durables? The record shows at least superficially that they tend to vary together, and are now roughly equal in size.

(3) Do consumers have less than they used to? No, in fact they have been more thrifty during the last five years than ever before in the recorded history of savings. They now save a larger percent of disposable income than at any time since 1929 except, of course, during the war years when to save was both the intelligent thing to do, the patriotic thing to do, and the *only* thing the consumer could do.

(4) Has the rapid extension of consumer credit impeded businessmen in getting funds, making investments, and increasing production? There may be little of any interrelationship but business investment and production have never been at such high levels as in years when consumer credit likewise reached new peaks.

(5) What has been the effect on unemployment? Usually the percent of unemployment has been lowest when the increases in consumer credit were largest. There may, of course, be little, if any, relationship between the two.

(6) Do the available statistics enable the scientist to isolate and measure what the impact is of consumer credit on production and employment as compared with the impact of such vastly greater forces as total consumer spending, business investment, commercial and mortgage credit, government defense expenditures, taxes, wages, interest rates, and so on. The answer is substantially in the negative. There is no convincing statistical evidence either way.

Then why all the excitement and viewing with alarm? Frankly, I do not know. **Unwise borrowing** —no matter by whom whether consumer, businessman, of government, is **always harmful, no matter what the time or place.** But wise borrowing by young married couples with moderate and stable incomes, with justifiable expectations that soon they will earn more, possessed by the laudable desire to invest in their own future earning power and that of their children by giving the family a home efficiently and adequately equipped for effective living in the suburbs—such wise extensions of consumer credit represent an investment in the most precious asset this nation possesses — its youth, its treasury of human capacities, its productivity, and American productivity has not only created our high standards of living but has made the United States a tower of strength for the entire free world.

A Timely Warning!

"It would be disastrous to the human race, if, in learning the hard lessons of experience, they were to let their minds and actions be dominated by feelings of hatred and revenge against whole nations or races because of the deed of a tyrant by whom they had been misled, bullied and subjugated.

Winston Churchill

"As the great [Edmund] Burke said, 'I do not know the method of drawing up an indictment against a whole people.' In mighty, highly organized communities many millions of ordinary men and women are swept along by events and authority and by the feeling that they cannot desert their country.

"I believe myself that the mass of the people in all countries are kind, decent folk who wish to live their lives in neighborly fashion with their fellow men and women.

"Nought but ruin awaits the world if communities of scores of millions are taught and allow themselves to journey along, dominated by feelings of hatred against vast collections of bewildered mortals.

"Let the dictators, whose wickedness wrought the fearful deeds—deeds which would never have happened without their despotic personal power—carry their awful record into history.

"Let Hitler take his shame to hell."

—Sir Winston Churchill.

Here are some thoughts expressed in typical Churchillisms which are obviously worth careful study—and not only by Frenchmen.

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Herbert Weinstock is now with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Robert E. Lee has been added to the staff of Slayton & Company, Inc., 408 Olive Street.

Joins Stix Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Philip L. Moss, Jr. has been added to the staff of Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange.

Joins Zahner & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Roy A. Pitt, Jr. has become associated with Zahner & Company, Dwight Building. He was formerly with Goldman, Sachs & Co. in St. Louis.

With Chiles-Schutz

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—B. B. Hoadley has become affiliated with Chiles-Schutz Co., Omaha National Bank Building.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Robert L. Ertzner has been added to the staff of Francis I. du Pont & Co., Omaha Grain Exchange.

Joins Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Harry A. Mueller has joined Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harold F. Essig is now associated with Bache & Co., National City East Sixth Building. He was formerly with Ira Haupt & Co. of New York.

With Brown, Madeira

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Leonard H. Rodieck is with Brown, Madeira & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 17	§72.3	*71.0	66.4	96.3
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 17	§1,724,000	*1,692,000	1,583,000	2,172,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 1	6,144,650	6,183,650	6,111,400	6,442,700
Crude runs to stills—daily average (bbls.)	Oct. 1	¶6,979,000	6,999,000	6,946,000	6,8[illegible]3,000
Gasoline output (bbls.)	Oct. 1	24,371,000	23,975,000	23,850,000	23,439,000
Kerosene output (bbls.)	Oct. 1	2,167,000	2,280,000	2,605,000	2,433,000
Distillate fuel oil output (bbls.)	Oct. 1	10,429,000	10,461,000	10,011,000	10,242,000
Residual fuel oil output (bbls.)	Oct. 1	7,908,000	7,469,000	7,567,000	8,249,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 1	152,118,000	151,145,000	153,497,000	140,829,000
Kerosene (bbls.) at	Oct. 1	38,390,000	38,212,000	35,364,000	36,756,000
Distillate fuel oil (bbls.) at	Oct. 1	128,239,000	125,571,000	117,458,000	126,704,000
Residual fuel oil (bbls.) at	Oct. 1	56,365,000	57,235,000	56,194,000	51,912,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 2	721,883	710,215	688,492	812,534
Revenue freight received from connections (no. of cars)	Oct. 2	614,044	602,418	585,660	671,673
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 7	$192,931,000	$233,851,000	$220,717,000	$170,028,000
Private construction	Oct. 7	92,655,000	110,581,000	108,038,000	84,188,000
Public construction	Oct. 7	100,276,000	123,270,000	112,679,000	85,840,000
State and municipal	Oct. 7	70,143,000	103,199,000	84,112,000	71,446,000
Federal	Oct. 7	30,133,000	20,071,000	28,566,000	14,394,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 2	7,990,000	*8,135,000	7,695,000	9,209,000
Pennsylvania anthracite (tons)	Oct. 2	550,000	623,000	449,000	699,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 2	110	117	113	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 9	9,193,000	9,158,000	8,308,000	8,307,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 7	230	192	168	186
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 5	4.798c	4.801c	4.801c	4.634c
Pig iron (per gross ton)	Oct. 5	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Oct. 5	$32.00	$30.17	$29.00	$31.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 6	29.700c	29.700c	29.700c	29.625c
Export refinery at	Oct. 6	31.100c	32.000c	29.625c	28.100c
Straits tin (New York) at	Oct. 6	93.250c	93.625c	92.750c	82.250c
Lead (New York) at	Oct. 6	15.000c	14.750c	14.250c	13.500c
Lead (St. Louis) at	Oct. 6	14.800c	14.550c	14.050c	13.300c
Zinc (East St. Louis) at	Oct. 6	11.500c	11.500c	11.015c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 12	100.00	99.95	99.88	95.38
Average corporate	Oct. 12	110.70	110.52	110.52	104.83
Aaa	Oct. 12	115.43	115.43	115.24	109.39
Aa	Oct. 12	112.37	112.37	112.37	106.74
A	Oct. 12	110.52	110.52	110.70	104.31
Baa	Oct. 12	104.86	104.48	104.48	98.72
Railroad Group	Oct. 12	109.06	108.88	109.24	102.80
Public Utilities Group	Oct. 12	110.88	110.88	110.70	104.66
Industrials Group	Oct. 12	112.00	112.00	111.81	106.92
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 12	2.50	2.50	2.51	2.82
Average corporate	Oct. 12	3.13	3.14	3.14	3.46
Aaa	Oct. 12	2.88	2.88	2.89	3.18
Aa	Oct. 12	3.04	3.04	3.04	3.35
A	Oct. 12	3.14	3.14	3.13	3.49
Baa	Oct. 12	3.47	3.48	3.48	3.83
Railroad Group	Oct. 12	3.22	3.23	3.21	3.58
Public Utilities Group	Oct. 12	3.12	3.12	3.13	3.47
Industrials Group	Oct. 12	3.06	3.06	3.07	3.34
MOODY'S COMMODITY INDEX	Oct. 12	402.7	407.0	408.3	390.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 2	321,543	211,305	311,987	371,431
Production (tons)	Oct. 2	260,584	246,383	244,002	259,699
Percentage of activity	Oct. 2	95	92	91	98
Unfilled orders (tons) at end of period	Oct. 2	428,796	369,305	398,372	590,808
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 8	106.06	105.70	106.39	105.70
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Sept. 25	986,339	900,918	911,846	623,419
Dollar value	Sept. 25	$48,659,204	$44,330,803	$43,116,440	$25,418,527
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Sept. 25	1,041,945	969,947	995,014	534,203
Customers' short sales	Sept. 25	7,823	11,580	13,121	10,686
Customers' other sales	Sept. 25	1,034,122	958,367	981,893	523,517
Dollar value	Sept. 25	$47,166,192	$43,710,337	$45,140,799	$20,078,962
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 25	328,150	313,590	378,630	146,830
Short sales	Sept. 25	------	------	------	------
Other sales	Sept. 25	328,150	313,590	378,630	146,830
Round-lot purchases by dealers—					
Number of shares	Sept. 25	298,610	278,380	254,820	273,210
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Sept. 18	403,810	314,040	619,410	510,080
Other sales	Sept. 18	10,353,830	7,410,270	12,408,410	9,417,650
Total sales	Sept. 18	10,757,640	7,724,310	13,078,820	9,927,730
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 18	1,207,550	861,570	1,442,030	1,043,980
Short sales	Sept. 18	202,350	160,590	252,260	171,850
Other sales	Sept. 18	1,031,530	739,380	1,165,410	908,790
Total sales	Sept. 18	1,233,880	899,970	1,417,670	1,080,640
Other transactions initiated on the floor—					
Total purchases	Sept. 18	397,250	264,560	420,730	228,300
Short sales	Sept. 18	26,650	21,050	40,800	37,600
Other sales	Sept. 18	361,290	236,300	368,700	236,100
Total sales	Sept. 18	387,940	257,350	409,500	273,700
Other transactions initiated off the floor—					
Total purchases	Sept. 18	444,575	257,015	451,720	352,320
Short sales	Sept. 18	53,180	31,070	211,720	57,290
Other sales	Sept. 18	458,550	303,167	624,880	278,294
Total sales	Sept. 18	511,730	334,237	836,600	335,584
Total round-lot transactions for account of members—					
Total purchases	Sept. 18	2,049,375	1,383,145	314,480	1,624,600
Short sales	Sept. 18	282,180	212,710	504,780	266,740
Other sales	Sept. 18	1,851,370	1,278,847	2,158,990	1,423,184
Total sales	Sept. 18	2,133,550	1,491,557	2,663,770	1,689,924
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 5	109.6	109.7	109.9	110.3
Farm products	Oct. 5	91.4	92.7	93.1	96.1
Processed foods	Oct. 5	104.0	104.5	105.1	104.2
Meats	Oct. 5	84.6	86.5	86.1	88.9
All commodities other than farm and foods	Oct. 5	114.6	114.5	114.5	114.6

*Revised figure. ¶Includes 736,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of August:			
Total gas (M therms)	3,863,757	3,845,904	3,627,800
Natural gas sales (M therms)	3,694,006	3,660,678	3,456,400
Manufactured gas sales (M therms)	28,960	31,876	47,700
Mixed gas sales (M therms)	140,791	153,350	123,700
AMERICAN PETROLEUM INSTITUTE—Month of July:			
Total domestic production (barrels of 42 gallons each)	213,443,000	214,842,000	224,855,000
Domestic crude oil output (barrels)	193,497,000	195,000,000	204,701,000
Natural gasoline output (barrels)	19,901,000	19,785,000	20,092,000
Benzol output (barrels)	45,000	57,000	62,000
Crude oil imports (barrels)	22,448,000	18,728,000	19,513,000
Refined products imports (barrels)	9,730,000	11,237,000	9,812,000
Indicated consumption domestic and export (barrels)	232,029,000	234,059,000	233,411,000
Increase all stock (barrels)	13,592,000	10,748,000	20,769,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of September (000's ommitted):			
Total U. S. Construction	$1,478,553	$1,270,951	$1,116,572
Private construction	811,241	792,576	619,732
Public construction	667,312	478,375	496,840
State and municipal	554,777	411,023	407,073
Federal	112,535	67,352	89,767
COAL EXPORTS (BUREAU OF MINES)—Month of July:			
U. S. exports of Pennsylvania anthracite (net tons)	146,760	216,732	220,099
To North and Central America (net tons)	146,760	204,676	220,099
To South America (net tons)	------	------	------
To Europe (net tons)	------	10,647	------
To Asia (net tons)	------	1,409	------
COAL OUTPUT (BUREAU OF MINES)—Month of August:			
Bituminous coal and lignite (net tons)	33,055,000	27,650,000	40,265,000
Pennsylvania anthracite (net tons)	2,091,000	1,939,000	2,452,000
COKE (BUREAU OF MINES)—Month of Aug.:			
Production (net tons)	4,512,444	4,618,665	6,761,700
Oven coke (net tons)	4,479,999	4,591,496	6,340,700
Beehive coke (net tons)	32,445	27,169	421,000
Oven coke stock at end of month (net tons)	2,859,604	2,843,039	2,375,697
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of August 31:			
Total consumer credit	$27,932	$27,835	$27,810
Instalment credit	21,310	21,246	21,218
Automobile	10,158	10,103	10,136
Other consumer goods	5,069	5,094	5,362
Repair and modernization loans	1,569	1,566	1,534
Personal loans	4,514	4,483	4,186
Non-instalment credit	6,622	6,589	6,592
Single payment loans	2,203	2,193	2,131
Charge accounts	2,642	2,614	2,668
Service credit	1,777	1,782	1,793
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100)—Month of September:			
Adjusted for seasonal variations	108	112	107
Without seasonal adjustment	113	97	112
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of July (000's omitted)	33,845,074	33,118,774	31,989,012
Revenue from ultimate customers—month of July	$603,767,000	$587,473,000	$562,032,000
Number of ultimate customers at July 31	50,656,926	50,508,403	49,225,342
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of August:			
Contracts closed (tonnage)—estimated	190,498	*258,028	244,607
Shipments (tonnage)—estimated	268,032	*247,972	251,109
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of September:			
Copper (per pound)—			
Electrolytic domestic refinery	29.700c	29.700c	29.623c
Electrolytic export refinery	30.066c	29.492c	28.688c
Lead—			
Common, New York (per pound)	14.598c	14.058c	13.740c
Common, St. Louis (per pound)	14.400c	13.858c	13.540c
‡‡Prompt, London (per long ton)	£101.347	£96.908	£93.344
‡‡Three months, London (per long ton)	£99.239	£94.896	£89.341
¶Antimony, New York Boxed	31.970c	31.970c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.000c	35.000c
Platinum, refined (per ounce)	$84.000	$84.000	$92.000
Zinc (per pound)—East St. Louis	11.408c	11.000c	10.180c
††Zinc, London, prompt (per long ton)	£80.614	£75.318	£70.210
††Zinc, London three months (per long ton)	£80.454	£75.592	£69.366
†Cadmium, refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadmium (per pound)	$1.70000	$1.70000	$2.07500
§Cadmium (per pound)	$1.70000	$1.70000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	73.239	72.940	74.000
Sterling Exchange (Check)	$2.80080	$2.81324	$2.80271
Tin, New York Straits	93.535c	93.356c	82.350c
§§New York, 99% min.	92.535c	92.356c	81.350c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$311.000	$290.000	$185.200
Aluminum, 99% plus ingot (per pound)	22.200c	22.106c	21.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	60.000c	60.000c	60.000c
Bismuth (per pound)	$2.25	$2.25	------
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of August:			
Total number of vehicles	521,450	530,416	614,655
Number of passengers cars	445,306	451,663	512,730
Number of motor trucks	75,835	78,507	101,478
Number of motor coaches	309	246	447
ZINC OXIDE (BUREAU OF MINES)—Month of August:			
Production (short tons)	12,600	10,788	17,138
Shipments (short tons)	11,373	11,585	16,301
Stocks at end of month (short tons)	14,863	13,636	24,387

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colborne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c. ¶¶Corrected figure.

Continued from page 7

Investment Problems Ahead For Life Insurance Companies

far below the level of the past—in the '20s, for example, Aaa corporates in no year yielded less than 4½% and for the entire decade averaged about 5%. Contrast this with the Aaa average yield of 2.90% today. This is a factor the importance of which cannot be overstressed; the lower the rate of interest, the lower the compensation for risk, and the smaller the margin for investment error.

If then the future may hold increasing investment risk combined with less compensation for taking that risk, this double-edged sword will demand a high degree of skill in investment analysis and portfolio management.

Must Meet the Challenge of Investment Problems

How then should we be organized to meet these challenging investment problems of the present and the future. Here I launch into a rather controversial area.

I strongly believe that there is a strong need for a single executive head in charge of all investment—usually with a title of Financial Vice-President. Investment is a single function and involves a constant appraisal of the relative attractiveness of various investment outlets — it involves choices between alternatives, whether it be railroads versus public utilities, or mortgages versus securities, or housing versus common stocks.

Such choices should be made solely on the basis of the long run benefit of the company—on the basis of the relative investment merits related to yields obtainable. Yet how often where there are autonomous heads of mortgages and securities are these choices made on other grounds, often reflecting relative personalities. Under these conditions, all too often jealousies arise and each head competitively strives to increase the importance of his department without necessary reference to the overall best interests of the company.

It is not sufficient that coordination be achieved and executive investment decisions be made by the President or a Finance Committee. The development and execution of a coordinated investment policy is a full time responsibility, and neither the President nor the Finance Committee has the requisite time. Investment decisions must be continuously made, often under changed circumstances so that flexibility and adaptability is a precious asset for intelligent investment. The need for such flexibility is more than amply demonstrated by the rapidly shifting relative attractiveness of various outlets in the past few years.

In furtherance of this goal of coordinated investment, mortgage men and security men should know a great deal more than they now do about the other fellow's work. This not only tends to develop thinking in terms of overall investment policy but creates a training ground for the future, and may eventually lead to at least a limited interchangeability of personnel where overall investment policy dictates a change from securities to mortgages or vice-versa.

A good captain, however, is worth but little without an able crew, and under present and prospective conditions a top-notch investment staff is an absolute necessity, more so than ever before, in my opinion.

Although the investment staff of the industry has increased in numbers and in quality in recent years, I believe that we are still under-staffed investment-wise all the way from the largest companies to the smallest, with but few exceptions. The most serious understaffing, however, occurs in the medium and smaller size companies.

In this connection, it is worthwhile to consider the staffing requirements of mortgages and securities relative to company size. In the case of mortgage investment which is comprised dominantly of residential mortgages, the unit of investment is small for both the largest and the smallest companies. Thus, the staff required for a portfolio of $50,000,000 of mortgages is minute compared to the staff required for a $1,000,000,000 portfolio, for, other things being equal, there are 20 times fewer transactions to handle for the smaller portfolio. In addition, the type of investment analysis required for mortgages is fairly straight forward and is limited in scope by the homogeneous nature of the investment. If it is found desirable to strictly limit the ultimate risk of principal loss, the small company can concentrate on government insured, and, if necessary, in small relatively local portfolios, they can be serviced directly at considerable savings. Thus, the small company is at no disadvantage in mortgage investment relative to the large company, and may even have an advantage.

On the other hand, in securities investment there is no such clear relationship between portfolio size and staff requirements. The analysis and decision to make a $500,000 bond investment for a company with $150,000,000 in assets is fully as important to that company as is the analysis and decision to make a $35,000,000 investment for a company with $10,000,000 in assets. Furthermore, if a direct placement is involved, it may well be that the work involved for the $500,000 requires greater analysis, if as is frequently the case, the company is a smaller and lesser known one.

To obtain some rough approximation of the relative size of the security investment task for small and large companies, I examined the statements of three of our very largest companies, and five of our medium size and smaller companies with assets ranging in the area of $50,000,000 to $400,000,000.

At the end of 1953, the three large companies had — very roughly— holdings of 374, 375 and 441 different U. S. obligors. In each case, if relatively inconsequential holdings were elminated, this number shrinks sharply. In the case of the smaller companies, the holdings were 256, 266, 304, 316, and 503. Thus, with a striking difference in order of size of the dollar value of the portfolio of some 25-200 times, there was relatively little difference in the number of holdings.

I also compared the number of 1953 bond acquisitions of these same companies. For the three large companies, the figures were 55, 75 and 88, and the largest of the companies had the 55. For the five smaller companies the figures were 40, 41, 48, 53 and 57. Once again, despite a striking difference in the dollar volume of acquisitions of the same order of magnitude (25-200 times) there was relatively little difference in the number of acquisitions.

Small Companies Do Not Escape Crucial Problems

Many people have complacently assumed that the magnitude of the investment problem is proportional to the size of the company and hence the amount to be invested. This is simply not the case as the above figures should demonstrate. The problem of security investment for the small company is very nearly of the same magnitude as it is for the large company. Again, it should be stressed that a $100,000 investment for a company with $10,000,000 in assets is every bit as important to that company in every way and carries just as much risk as a $30,000,000 investment to a company with $3,000,000,000 of assets.

For the large company, the question of a really top-notch staff should present no financial difficulties whatsoever. Consider how important is the economy of size in this respect for the large company. Take extreme assumptions just to prove the point. A staff of 100 analysts with an average salary of $9,000 would represent only about one basis point on the security portfolio of our largest company. Surely there would seem to be little excuse of any kind for understaffing on the part of the largest companies.

In the case of the smaller companies, obviously budgetary considerations preclude an ideal investment staff set-up. However, it is highly important that we realize that we face this problem and do the best we can to have an adequate staff. Even thinking in budgetary terms, a good investment staff can pay for itself many times over, certainly in the long run, and often in the short run also.

One answer for the smaller companies is to have heavier mortgage portfolios of government insured mortgages; particularly at the present time when mortgage yields are attractive relative to security yields. Yet this often runs up against a lot of industry thinking prejudicial to the holding of a large percentage of mortgages. There is no time here to go into this argumentative matter, but personally, I cannot see that there is anything unsound in a much higher percentage investment in insured mortgages than the industry and most companies have today.

Obviously, the answer to a good investment staff is by no means mere numbers of analysts; one really good person may be better than any number of investment hacks. We need both an adequate staff in numbers and one of high quality. The type of background necessary for successful investment operations in the future may be much broader, more demanding, and involve more extensive training than in the past, giving much more weight to general economic trends and industry risk factors in our economy, than to the narrower Wall Street type of financial statement analysis of particular companies that is all too typical of many investment operations today.

In conclusion, when one looks back upon the investment record of life insurance in the past, he is forced to marvel at its record of achievement. The problems which lie ahead in the future will in all probability be even more challenging than those which we successfully dealt with in the past; yet there is every reason to believe that the industry will achieve an enviable record in the future. It will be no easy task, however, and we will have to face up to it with an investment staff second to none.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Milton Kafkalis has been added to the staff of First Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

"Disappointing"

"Among the disappointing developments in the sphere of trade liberalization were the various measures taken by the United States to make import trade procedures still more difficult, either by imposing more quantitative restrictions or by raising import duties still higher.

"All these measures—like the decision to increase the duties on watches—hit Swiss exports, directly or indirectly, and all of them are the more regrettable because the charges on Swiss imports into the United States were already heavy, whereas, for many years past, we have pursued consistently an open-door policy towards American exports.

"We should in any case have had to revise our antiquated customs tariff drafted in 1921, in which duties were based on weight, not on value—a system by which no account is taken of the changes wrought by technological development and economic practice in recent years. Our tariff has become obsolete. Certain duties must therefore be brought into accord with changed circumstances.

"Nevertheless, the increase in our import duties will be kept in moderation. Foreign trade is not a one-way street. In the long run only those countries can count on scope for exports who, on their part, keep their frontiers open to imports."—Dr. Charles de Loes, private banker of Geneva.

Just a reminder of some of the difficulties "convertibility" must overcome!

Halsey, Stuart Group Offer Savannah El. & Power Securities

A group headed by Halsey, Stuart & Co. Inc. is offering $5,000,000 first mortgage bonds, 3¼% series due Oct. 1, 1984, and $3,000,000 3⅜% debentures due Oct. 1, 1979, of Savannah Electric & Power Co. The bonds are offered at 102.52% and accrued interest, to yield 3.12%, and the debentures at 101.783% and accruded interest, to yield 3.27%. The group won award of the two issues at competitive sale yesterday (Oct. 13) on a bid of 101.85% for the first mortgage bonds and a bid of 101.05% for the debentures.

Net proceeds from the sale of the first mortgage bonds and the debentures, and from the concurrent sale of 30,000 shares of prefered stock, will be used by the company to redeem and retire outstanding like amounts of first mortgage bonds, debentures and preferred stock.

The 1984 series bonds will be redeemable at regular redemption prices ranging from 105.80% to par, and at special redemption prices running from 102.55% to par, plus accrued interest in each case. The 1979 debentures will be subject to redemption at regular redemption prices receding from 105.20% to par, and at special redemption prices ranging from 101.80% to par, plus accrued interest in each case.

Savannah Electric & Power Co. is engaged in the generation, purchase and sale of electricity, and incidentally in the sale of electric appliances, in an area in the southeastern corner of Georgia approximately 62 miles long and 33 miles wide which includes the City of Savannah. Population of the area served is estimated at 171,000.

For the year 1953, the company had operating revenues of $6,775,402 and net income of $836,088. In an unaudited report for the 12 months ended July 31, 1954, the company showed operating revenues of $7,080,353 and net income of $1,007,833.

Also participating in the offerings are: L. F. Rothschild & Co.; Courts & Co.; Wm. E. Pollock & Co., Inc.; Freeman & Co.; Thomas & Co.; J. H. Hilsman & Co., Inc.; Johnson, Lane, Space and Co., Inc. and Norris & Hirschberg, Inc.

Fitzsimmons Stores Class A Stock Offered

Reynolds & Co. and Lester, Ryons & Co. head a group which is offering 100,000 shares of class A 5% cumulative participating stock of Fitzsimmons Stores, Ltd., at $22.50 per share.

Proceeds of the offering will be used by the company to retire bank and insurance company loans and to increase working capital.

Fitzsimmons Stores, Ltd. operates a chain of 39 supermarkets in the Los Angeles area and certain departments in other stores. The supermarkets are operated under the names "Thriftimart" and "Roberts." The company also owns a 27.93% partnership interest jointly with other Los Angeles chain stores in the Jerseymaid Milk Products Co. which supplies Fitzsimmons and other companies with dairy products and frozen foods.

Since 1950 the company has followed a policy of modernizing and remodeling its existing markets and this program is now largely completed. The company is now proceeding upon a new phase of its expansion program and proposes to open within the year six new supermarkets, five in California and one in Las Vegas.

Net sales of Fitzsimmons Stores, Ltd. for the fiscal year ended March 27, 1954 totaled $48,390,562 compared with $43,551,315 for the previous fiscal year. Net income for the latest fiscal year was $575,344 against $507,064 for the year ended March 28, 1953.

Joins Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Asher M. Newcomer has become affiliated with Security Associates, Inc., 137-139 East New England Ave., members of the Philadelphia-Baltimore and Midwest Stock Exchanges. Mr. Newcomer was previously with A. M. Kidder & Co.

Three With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Seymour Bushell, Morton Friedman and Patrick W. McKenney have been added to the staff of Daniel D. Weston & Co., 118 South Beverly Drive.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
• **ITEMS REVISED**

• Alabama Gas Corp., Birmingham, Ala. (10/19)
Sept. 29 filed 84,119 shares of common stock (par $2) to be offered for subscription by common stockholders about Oct. 19 at rate of one new share for each 10 shares held (with an oversubscription privilege); warrants to expire about Nov. 8. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Allen & Co., New York.

Allied Thermal Corp., New Britain, Conn.
Sept. 23 (letter of notification) 5,333 shares of common stock (par $25) being offered for subscription by stockholders of record Sept. 23 on the basis of one new share for each 15 shares held; rights to expire on Nov. 1. **Price**—$45 per share. **Proceeds**—For working capital, etc. **Office**—Corbin Ave., New Britain, Conn. **Underwriter**—None.

Allen Discount Corp., Boulder, Colo.
Aug. 13 (letter of notification) 900,000 shares of class B non-voting common stock. **Price**—At par (25 cents per share). **Proceeds**—For loans (mainly promissory notes). **Office**—1334 Pearl Street, Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

American Buyers Credit Co., Phoenix, Ariz.
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. **Price**—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par ($1 per share); and to all other policyholders in the insurance companies, $1.25 per share. **Proceeds**—To expand in the small loan field. **Underwriter**—None.

American Buyers Insurance Co., Phoenix, Ariz.
Aug. 18 (letter of notification) 2,500 shares of common stock, being offered to stockholders of record Aug. 16 on a pro rata basis; rights to expire on Nov. 12. **Price** — At par ($10 per share.) **Proceeds** — To acquire capital required by Arizona law for a stock benefit insurance company. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

American Independent Reinsurance Co.
Sept. 2 filed 900,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To be invested in securities of other companies and for working capital. **Office**—Orlando, Fla. **Underwriter** — Goodbody & Co., St. Petersburg, Fla.

American Mercury Insurance Co. (10/18)
Sept. 27 filed 150,000 shares of capital stock (par $1) to be offered for subscription by stockholders of record Oct. 15, 1954 on the basis of three new shares for each five shares held. **Price**—$2 per share. **Proceeds**—To finance growth and expansion of the company's business. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; and Hettlemen & Co., New York, N. Y.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

NEW ISSUE CALENDAR

October 14 (Thursday)

Wisconsin Public Service Corp. — Bonds
(Bids 10 a.m. CST) $12,500,000

October 15 (Friday)

Lester Engineering Co. — Common
(Saunders, Stiver & Co. and The First Cleveland Corp.) $525,000

Penobscot Chemical Fibre Co. — Bonds
(Coffin & Burr, Inc. and Chace, Whiteside, West & Winslow, Inc.) $1,400,000

Woodbury Telephone Co. — Common
(Offering to stockholders—no underwriting) $66,250

October 18 (Monday)

American Mercury Insurance Co. — Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and Hettlemen & Co.) $300,000

Commodity Holding Corp. — Common
(Batkin & Co.) $292,000

Deere & Co. — Common
(Harriman Ripley & Co. Inc.) 246,842 shares

Dole (James) Engineering Co. — Notes
(Offering to stockholders—no underwriting) $217,524

Texas Power & Light Co. — Bonds
(Bids 11:30 a.m. EST) $20,000,000

Zotox Pharmacal Co., Inc. — Common
(Frederick H. Hatch & Co., Inc.) $300,000

October 19 (Tuesday)

Alabama Gas Corp. — Common
(Offering to stockholders—underwritten by Allen & Co.) 84,119 shares

New York Telephone Co. — Bonds
(Bids 11 a.m. EST) $75,000,000

October 20 (Wednesday)

Clary Multiplier Corp. — Common
(Blyth & Co., Inc.) 250,000 shares

Hazel Bishop, Inc. — Common
(Hayden, Stone & Co.) 250,000 shares

Louisiana Power & Light Co. — Bonds
(Bids noon EST) $18,000,000

Standard-Thomson Corp. — Preferred
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $1,750,000

October 21 (Thursday)

Israel-Mediterranean Petroleum, Inc. — Common
(Gearhart & Otis, Inc.) 750,000 shares

Package Machinery Co. — Common
(F. S. Moseley & Co.) 60,000 shares

Pan-Israel Oil Co., Inc. — Common
(Gearhart & Otis, Inc.) 750,000 shares

Vendorlator Mfg. Co. — Debentures
(Lester, Ryons & Co. and Bailey & Co.) $900,000

Venezuelan Sulphur Corp. of America — Common
(Hunter Securities Corp.) $3,000,000

October 22 (Friday)

Continental Uranium, Inc. — Common
(Van Alstyne, Noel & Co.) $1,250,000

Peerless Casualty Co. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 170,000 shares

October 25 (Monday)

Florida Power Corp. — Bonds
(Bids to be invited) $12,000,000

Thompson-Starrett Co., Inc. — Preferred
(Blair & Co., Inc. and Emanuel, Deetjen & Co.) $1,180,000

Thompson-Starrett Co., Inc. — Common
(Blair & Co., Inc. and Emanuel Deetjen & Co.) 118,000 shares

October 26 (Tuesday)

Cott Beverage Corp. — Common
(Ira Haupt & Co.) 200,000 shares

Wisconsin Michigan Power Co. — Bonds
(Bids to be invited) $3,000,000

October 27 (Wednesday)

Continental Oil Co. — Debentures
(Morgan Stanley & Co.) $100,000,000

Cortland Equipment Lessors, Inc. — Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $75,000,000

Florida Power & Light Co. — Bonds
(Bids 11:30 a.m. EST) $10,000,000

Mead Corp. — Preferred
(Drexel & Co. and Harriman Ripley & Co. Inc.) $7,500,000

Pacific Clay Products — Common
(Kidder, Peabody & Co.) 43,625 shares

Upper Peninsula Power Co. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Paine, Webber, Jackson & Curtis) 30,625 shares

October 28 (Thursday)

General Telephone Co. of Pennsylvania — Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 30,000 shares

Israel-American Oil Corp. — Common
(Bear, Stearns & Co.) 750,000 shares

Southern Railway Co. — Notes
(Bids noon EST) $15,000,000

November 4 (Thursday)

Colorado Oil & Gas Corp. — Preferred
(Exchange offer to Derby Oil Co. common stockholders—underwritten by Union Securities Corp.) $12,195,500

November 8 (Monday)

National Fuel Gas Co. — Common
(Offering to stockholders—no underwriting) 381,018 shares

November 9 (Tuesday)

Chesapeake & Ohio Ry. — Bonds
(Bids to be invited) $40,000,000

Sierra Pacific Power Co. — Bonds
(Bids to be invited) $4,000,000

November 16 (Tuesday)

Pacific Telephone & Telegraph Co. — Debentures
(Bids to be invited) $50,000,000

November 30 (Tuesday)

Interstate Power Co. — Preferred
(Bids to be invited) $10,000,000

December 14 (Tuesday)

New Orleans Public Service Inc. — Bonds
(Bids to be invited) $6,000,000

December 15 (Wednesday)

Illinois Central RR. — Debentures
(Bids to be invited) $18,000,000

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Arco Uranium, Inc., Denver, Colo.
Sept. 7 filed 2,500,000 shares of common stock, of which 1,000,000 shares are to be publicly offered, 1,000,000 shares in exchange for property and 300,000 shares to be optioned to Benjamin Arkin, President, and 200,000 shares to be optioned to underwriters. **Price**—At par (50 cents per share). **Proceeds**—To repay advances and loan from Mr. Arkin, purchase equipment and for exploration and development expenses. **Underwriter** — Peters, Writer & Christensen, Inc., Denver, Colo.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Aztec Oil & Gas Co., Dallas, Tex.
Oct. 13 filed 285,005 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 29 at the rate of one new share for each seven shares held. **Price** — To be supplied by amendment. **Proceeds**—To exercise an option to purchase certain oil and gas production and undeveloped leases from the Southern Union Gas Co., retire bank loans and to increase working capital. **Underwriter**—None.

★ Baldwin-Woodruff Corp., Denver, Colo.
Oct. 7 (letter of notification) 50,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To retire loans and for working capital. **Office**—1033 Bannock St., Denver 4, Colo. **Underwriter**—None.

★ Barium Steel Corp., New York
Oct. 12 filed 599,215 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To repay short term loan made to subsidiary; a major portion for completion of seamless tube mill being constructed; and for general corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Horn Uranium Corp., Ogden, Utah
Sept. 23 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—3375 Harrison Blvd., Ogden, Utah. **Underwriter**—Allan W. Egbert Co., 2306 Iowa Ave., Ogden, Utah.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Black Hawk Uranium & Metals Co.
Aug. 9 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—136 S. State Street, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

★ Bonneville Basin Uranium Corp.
Oct. 7 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (two cents per share). **Pro-**

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ceeds—For exploration and development expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—None named.

Bonneville Basin Uranium Corp.
Aug. 23 (letter of notification) 15,000,000 shares of capital stock. **Price** — At par (two cents per share). **Proceeds** — For exploration and development expenses. **Office**—629 East South Temple St., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., of the same city.

Brothers Chemical Co. (N. J.)
Oct. 1 (letter of notification) 109,000 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—For working capital. **Office** — 575 Forest St., Orange, N.J. **Underwriter**—Batkin & Co., New York.

Buffalo Forge Co., Buffalo, N. Y.
July 7 filed 85,000 shares of common stock (par $1). **Price**—To be related to current market price at time of offering. **Proceeds**—To 11 selling stockholders. **Underwriter**—Hornblower & Weeks, New York. **Offering**—Postponed indefinitely.

Burlington Mills Corp., Greensboro, N. C.
Oct. 1 filed 151,936 shares of 4½% preference stock (par $100) and 546,969 shares of common stock (par $1) to be offered in exchange for the 455,807 outstanding shares of capital stock of Pacific Mills not now owned by Burlington Mills on the basis of one-third share of preferred and 1⅕ shares of common stock for each Pacific Mills share. The offer is to expire on Nov. 5, 1954, unless extended. Burlington Mills presently own 503,245 shares, or 52.4% of the outstanding Pacific Mills stock. **Underwriter**—None.

Cahokia Downs, Inc., East St. Louis, Ill.
Aug. 30 filed 140,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Aug. 28. **Price**—$5 per share. **Proceeds**—For construction of racing plant. **Underwriter**—None. The directors and their associates will purchase any unsold shares.

California Electric Power Co.
July 21 (letter of notification) 8,000 shares of common stock (par $1). **Price** — At market (on the American Stock Exchange). **Proceeds** — To Mono Power Co. (an affiliate) to retire indebtedness. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction costs, etc. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

Canadian Delhi Petroleum Ltd., Calgary, Can.
Oct. 5 filed 268,868 shares of capital stock (par 10 cents-Canadian) to be offered for subscription by stockholders of record Oct. 15, at the rate of one new share for each 12 shares held. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to Canadian Delhi Oil Ltd., a wholly-owned subsidiary. **Underwriter**—None.

Cane Springs Uranium Corp.
Sept. 16 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—404 N. 2nd West, Salt Lake City, Utah. **Underwriter**—Luster Securities & Co., Jersey City, N. J.

Caramba McKafe Corp. of America
Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and machinery and for working capital. **Office**—615 Adams St., Hoboken, N. J. **Underwriter**—Garden State Securities, same city.

Carolina Resources Corp.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

● **Central Louisiana Electric Co., Inc.**
Sept. 22 filed $3,772,100 of 3½% convertible debentures due 1964 being offered for subscription by common stockholders of record Oct. 4, 1954, on the basis of $100 of debentures for each 27 shares of common stock held; rights to expire on Oct. 27. **Price**—100% of principal amount. **Proceeds** — To retire $2,800,000 outstanding 4½% debentures due 1972 and for construction program. **Underwriter**—Kidder, Peabody & Co., New York.

Central Uranium & Milling Corp., Denver, Colo.
Sept. 27 (letter of notification) 600,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For exploration and development expenses. **Office** — Empire Bldg., Denver, Colo. **Underwriters**—Gearhart & Otis, Inc., and Jay W. Kaufmann & Co., both of New York.

Certain-teed Products Corp., Ardmore, Pa.
Sept. 28 filed 412,950 shares of common stock (par $1) to be offered in exchange for 825,900 shares of capital stock (par $7) of Wm. Cameron & Co., Waco, Tex., at rate of one-half share of Certain-teed, plus $11.50 per share in cash for each share of Cameron stock.

Cessna Aircraft Co., Wichita, Kan.
Sept. 29 (letter of notification) 1,800 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Dwane L. Wallace, the selling stockholder. **Underwriter**—Harris, Upham & Co., New York.

Cessna Aircraft Co. (Kansas)
Aug. 9 (letter of notification) 1,700 shares of common stock (par $1). **Price**—$14 per share. **Proceeds**—To Getto McDonald, a director. **Underwriter**—Harris, Upham & Co., New York.

Cherokee Utah Uranium Corp.
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

Chief Ute Uranium, Inc.
Sept. 10 (letter of notification) 3,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—638 S. State St., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman & Co., the same city.

Clary Multiplier Corp. (10/20)
Sept. 27 filed 250,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To retire bank loans, to develop new electronic digital computer and other products and for working capital. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

★ **Colorado Oil & Gas Corp., Denver, Colo. (11/4)**
Oct. 7 filed 487,820 shares of $1.25 preferred stock (par $25), to be offered in exchange for common stock of Derby Oil Co. on a share-for-share basis. **Underwriter**—Union Securities Corp., New York, and associates will offer to purchase any of the preferred shares issued at $25 per share and accrued dividends.

Columbia Telephone Co.
Sept. 16 (letter of notification) 5,000 shares of common stock (par $25) being offered to common stockholders of record Sept. 30, 1954, on the basis of five new shares for each 13 shares held; rights to expire on Oct. 31. **Price**—$40 per share. **Proceeds**—To convert to dial operation and for modernization and expansion of company's facilities. **Office**—40 North Third St., Columbia, Pa. **Underwriter**—None.

★ **Commodity Holding Corp. (10/18-22)**
Oct. 6 (letter of notification) 1,460,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For working capital. **Business**—Trading in commodities. **Office**—15 Exchange Place, Jersey City, N. J. **Underwriter**—Batkin & Co., New York.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. Proceeds—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering—Originally set for May 11, but has been postponed because of market conditions. No new date set.

● **Continental Oil Co. (10/27)**
Oct. 6 filed $100,000,000 of sinking fund debentures due Nov. 1, 1984. **Price** — To be supplied by amendment. **Proceeds**—To retire $45,000,000 3¼% term loan notes now payable to banks, for exploration and development of oil and gas properties and for other general corporate purposes. **Underwriter** — Morgan Stanley & Co., New York.

● **Continental Uranium, Inc. (10/22-25)**
Sept. 24 filed 500,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay for properties, for development and drilling program and for general corporate purposes. **Office** — Chicago, Ill. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Cortland Equipment Lessors, Inc. (10/27)**
Oct. 7 filed $50,000,000 of serial debentures, series A, due annually from Nov. 1, 1955 to and including Nov. 1, 1964, and $25,000,000 of sinking fund debentures, series B, due Nov. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—To repay $53,382,500 of notes held by 16 banks; to repay advances received from Safeway Stores, Inc., its parent, amounting to $14,577,-473; and for working capital, etc. **Office** — Oakland, Calif. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

● **Cott Beverage Co. (10/26-28)**
Aug. 27 filed 200,000 shares of common stock (par $1.50), of which 120,000 shares are for the account of the company and 80,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Office**—New Haven, Conn. **Underwriter**—Ira Haupt & Co., New York.

Crestview Memorial Park, Inc., Dallas, Tex.
Sept. 21 (letter of notification) 295,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For perpetual care of cemeteries, etc. **Office** — 304 Empire State Bank Bldg., Dallas, Tex. **Underwriter** — Transwestern Investment Co., Inc., the same city.

● **Deere & Co., Moline, Ill. (10/18)**
Oct. 5 filed 246,842 shares of common stock (par $10). **Price**—To be related to current market price on the New York Stock Exchange. **Proceeds**—To executors of estate of Katherine Deere Butterworth, deceased. **Underwriter**—Harriman Ripley & Co., Inc., New York.

● **Dole (James) Engineering Co. (10/18)**
Sept. 17 (letter of notification) $217,524 of 5% convertible income notes due Jan. 1, 1961 to be offered to stockholders of record Oct. 14 on the basis of $1 of notes for each five shares of stock held; rights to expire on Nov. 10. Each $1 of notes is convertible into one share of common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office**—58 Sutter St., San Francisco, Calif. **Underwriter**—None.

El Dorado Mining Co.
Aug. 23 (letter of notification) 17,500,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—223 Phillips Petroleum Building, Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

El Rey Uranium Corp., Salt Lake City, Utah
Aug. 24 (letter of notification) 1,475,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriters** — Mid-Continent Securities, Inc., Cromer Brokerage Co. and Coombs & Co., all of Salt Lake City.

Eldorado Uranium Corp., Austin, Nev.
Sept. 15 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriter**—Allied Underwriters Co., Las Vegas, Nev.

★ **Fairhaven Mines, Inc., Boise, Idaho**
Oct. 1 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration of minerals. **Office** — 613 Eastman Bldg., Boise, Ida. **Underwriter**—None.

Fidelity Acceptance Corp., Minneapolis, Minn.
Aug. 30 filed 6,000 shares of 7% cumulative preferred stock (par $25), to be offered to employees; $900,000 of 5¾% capital debentures and 24,000 shares of 6% cumulative class E preferred stock (par $25). **Price**—At par. **Proceeds**—To reduce outstanding bank loans. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and B. I. Barnes, Boulder, Colo.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. Price—At par ($2 per share). Proceeds—For working capital. Underwriter—E. J. Fountain & Co., Inc., New York.

● **Florida Power Corp. (10/25)**
Sept. 28 filed $12,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers; Glore, Forgan & Co. **Bids**—Expected to be received on Oct. 25.

Florida Power & Light Co. (10/27)
Sept. 30 filed $10,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. and Lehman Brothers (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11.30 a.m. (EST) on Oct. 27 at Room 2033, Two Rector St., New York 6, N. Y.

Forming Machine Co. of America, Inc.
Sept. 1 (letter of notification) 7,000 shares of common stock (par $1) being offered for subscription by stockholders of record Sept. 24 for a 30-day period on a 1-for-5 basis (with an oversubscription privilege). **Price**—$25 per share to stockholders; $30 to public. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ **Gas Incorporated, Lowell, Mass.**
Oct. 8 (letter of notification) 8,695 shares of preferred stock. **Price**—At par ($23 per share) and accrued dividends. **Proceeds**—To repay notes and purchase additional property. **Office** — 81-95 East Merrimack St., Lowell, Mass. **Underwriter**—F. L. Putnam & Co., Inc., Boston, Mass.

Gateway Uranium Corp., Salt Lake City, Utah
Sept. 10 (letter of notification) 1,192,000 shares of common stock (par 20 cents). **Price** — 25 cents per share. **Proceeds**—For exploration and development costs, etc. **Office**—Hotel Newhouse, Salt Lake City, Utah. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah, and Las Vegas, Nev.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

General Gas Corp.
Sept. 22 filed 143,500 shares of common stock (par $5) to be offered in exchange for common stock of Consolidated Gas Co. of Atlanta, Ga., on the basis of 63/100ths of a share of General Gas for each Consolidated share. The offer is subject to deposit of at least 175,000 shares of Consolidated stock out of 210,000 shares outstanding. **Underwriter**—None.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

★ **General Telephone Co. of Pennsylvania (10/28)**
Oct. 7 filed 30,000 shares of $2.25 preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for additions and improvements. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York.

★ **Goldpoint Uranium, Inc., Goldfield, Nev.**
Oct. 1 (letter of notification) 670,000 shares of capital stock (par 10 cents). **Price**—15 cents per share. **Proceeds**—For exploration and development costs. **Address**—Box 666, Goldfield, Nev. **Underwriter**—None.

Great Basins Petroleum Co., Denver, Colo.
Aug. 30 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and reduce other debt. **Underwriter**—First California Co., Inc., San Francisco, Calif.

Great Chief Uranium Co., Salt Lake City, Utah
Sept. 20 (letter of notification) 20,000,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds** — For exploration and development costs, etc. **Office** — 412 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Havenor-Cayias, Inc., same city.

Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf Sulphur Corp., North Kansas City, Mo.
Sept. 15 filed 92,310 shares of 60-cent cumulative convertible preferred and participating stock (par 10 cents), of which 57,310 shares are to be offered publicly at $10 per share and 35,000 shares to be sold to V. V. Jacomini, a partner of Tehuantepec Co., on an investment basis, at $8.50 per share. **Proceeds** — For operating expenses and exploration development. **Underwriters** — For the 57,310 shares, Fridley & Hess and Crockett & Co., both of Houston, Tex.

★ **Handy & Harman, New York**
Oct. 6 (letter of notification) 8,000 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — For general corporate purposes. **Office**—82 Fulton St., New York 38, N. Y. **Underwriter**—None.

Hawaiian Electric Co., Ltd., Honolulu
Sept. 14 filed 50,000 shares of common stock (par $20) to be offered for subscription by stockholders at rate of one new share for each 13 shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—None.

★ **Hawkeye-Security Insurance Co., Des Moines, Iowa**
Oct. 4 (letter of notification) 6,000 shares of 5% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds** — For general corporate purposes. **Underwriters**—T. C. Henderson & Co., Inc. and Becker & Cownie, Inc., both of Des Moines, Iowa.

Hazel Bishop, Inc., New York (10/20)
Sept. 30 filed 250,000 shares of common stock (par 10 cents), of which 150,000 shares are to be offered for account of company and 100,000 shares for selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Hayden, Stone & Co., New York.

● **Home Telephone & Telegraph Co.**
Sept. 10 (letter of notification) 36,000 shares of common stock (no par), being offered for subscription by stockholders of record Oct. 1 on the basis of two new shares for each five shares held; rights to expire on Oct. 15. (A total of 27,358 shares will be purchased by Telephone Bond & Share Co., the parent). **Price**—$20 per share. **Proceeds**—For construction costs and working capital. **Office**—303 E. Berry St., Fort Wayne, Ind. **Underwriter**—None.

Homestead Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For exploration and development expenses. **Office**—65 East Fourth South St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., of the same city.

Husky Oil Co., Cody, Wyo.
Sept. 29 filed 14,899 shares of 6% cumulative first preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—To purchase outstanding shares of prior preferred stock of Gate City Steel Works, Inc. of Omaha, and for drilling expenses, etc. **Underwriter**—First Trust Co. of Lincoln, Neb.

International Bankers Life Insurance Co.
Sept. 29 (letter of notification) 12,500 shares of common stock to be offered for subscription by stockholders of record Sept. 20, 1954 at rate of one new share for each share held. **Price**—At par ($10 per share). **Proceeds**—For addition to capital and to be invested in appropriate securities. **Office**—Continental Life Building, Fort Worth, Texas. **Underwriter**—None.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share, and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

● **Israel-American Oil Corp. (10/28)**
Oct. 5 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development program. **Underwriter**—Bear, Stearns & Co., New York.

● **Israel-Mediterranean Petroleum, Inc. (10/21)**
Sept. 21 filed American voting trust certificates for 900,000 shares of common capital stock (par one cent), of which 750,000 shares are to be offered to public. The remaining 150,000 shares to be under option to underwriters. **Price**—Last sale on American Stock Exchange day preceding the offering. **Purpose**—For exploratory drilling and development of presently held acreage in Israel. **Underwriter**—Gearhart & Otis, Inc., New York.

Keystone Fund of Canada, Ltd., Montreal, Canada
Aug. 2 filed 1,250,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—The Keystone Co. of Boston, Boston, Mass.

★ **Kropp Forge Co., Cicero, Ill.**
Sept. 30 (letter of notification) 12,921 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at $2.75 per share—aggregate not to exceed $35,332.97). **Proceeds**—To Roy A. Kropp, President, who is the selling stockholder. **Underwriters**—L. D. Sherman & Co., New York, and Sincere & Co., Chicago, Ill.

Ladoric Mines Ltd., Montreal, Canada
July 30 (regulation "D") 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For exploration, etc. **Office**—3455 Stanley St., Montreal, Canada. **Underwriter** — Daggett Securities, Inc., Newark, N. J.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

● **Lester Engineering Co., Cleveland (10/15)**
Sept. 22 filed 100,000 shares of common stock (par $1), of which 85,000 shares are to be offered to public and 15,000 shares to stockholders and members of their families. **Price**—To public, $6 per share; and to stockholders, $5.25 per share. **Proceeds**—To be used as part payment for certain assets of The Phoenix Machine Co. **Underwriters**—Saunders, Stiver & Co. and The First Cleveland Corp., both of Cleveland, O.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Lincoln Telephone & Telegraph Co.
Sept. 22 (letter of notification) 9,623 shares of common stock (par $16⅔) to be offered for subscription by stockholders of record Sept. 1 on the basis of one new share for each 19 shares held; rights to expire on Nov. 2, 1954. **Price** — $26 per share. **Proceeds** — For working capital. **Office**—1342 M St., Lincoln, Neb. **Underwriter**—None.

★ **Lockheed Aircraft Corp., Burbank, Calif.**
Oct. 1 (letter of notification) 7,401 shares of capital stock (par $1). **Price**—At market. **Proceeds**—To three selling stockholders. **Office** — 2555 North Hollywood Way, Burbank, Calif. **Underwriter**—None.

Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York. **Offering**—Expected later in September.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

Louisiana Power & Light Co. (10/20)
Sept. 14 filed $18,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem $12,000,000 4% bonds due 1983, and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Wertheim & Co. (jointly); Blyth & Co., Inc.; W. C. Langley & Co., The First Boston Corp. and Glore Forgan & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to noon (EST) on Oct. 20 at 2 Rector Street, New York, N. Y.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

Mars Metal Corp., San Francisco, Calif.
July 23 filed 121,000 shares of class A stock (par 10 cents) and 3,000,000 shares of common stock. It is planned to sell at $2.50 per share 75,000 class A shares privately, the remaining 46,000 shares to be issued to provide working capital or funds for investment. Of the common stock, 320,000 shares are to be reserved for holders of class A stock; 172,000 shares for issuance at 10 cents per share pursuant to stock options given to certain key employees; and 100,000 shares are reserved for issuance at $1.50 per share during the years 1955-1957 upon the exercise of a like number of warrants granted to certain dealers in connection with public offering by F. W. Stephens Co., New York, of 199,000 class A shares. The registration statement may be amended to change the designation of the 121,000 shares of class A stock to class B stock. **Price**—Of common, may be $2.50 per share when offered.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

★ **Mead Corp., Dayton, Ohio (10/27)**
Oct. 6 filed 150,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—Manufacture and sale primarily of white paper and paperboard. **Underwriters** — Drexel & Co., Philadelphia, Pa., and Harriman Ripley & Co. Inc., New York.

★ **Mello Enterprises, Inc., Hagerstown, Md.**
Oct. 4 (letter of notification) $182,000 of 20-year 5% debentures and 3,640 shares of common stock (par $5) to be offered in units of one $100 debenture and two shares of stock. **Price**—$100 per unit. **Proceeds**—For construction and operation of bowling business. **Office**—954 Club Road, Hagerstown, Md. **Underwriter**—None.

Mercast Corp., N. Y.
Sept. 30 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—$4.75 net to sellers. **Proceeds**—To Atlas Corp. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—Franklin, Mayer & Barnett, New York City.

★ **Merck & Co., Rahway, N. J.**
Oct. 11 (letter of notification) 300,000 shares of common stock (par 16⅔ cents) to be offered to certain officers, directors and key employees of the company, its subsidiaries and affiliates, under the company's stock option plan.

Merritt-Chapman & Scott Corp.
Sept. 7 filed 448,868 shares of common stock (par $12.50) being offered in exchange for stock of the Marion Power Shovel Co. and Osgood Co. on the basis of three shares for each two Marion Power common shares, and two shares for each three shares of Osgood Co.'s class A and class B stock not held by Marion Power Shovel Co. The offer will expire on Oct. 26. **Underwriter**—None.

★ **Metals & Controls Corp., Attleboro, Mass.**
Oct. 7 (letter of notification) 8,000 shares of common stock (par $5). **Price**—$33.50 per share. **Proceeds**—For working capital. **Office**—34 Forest St., Attleboro, Mass. **Underwriter**—Brown, Lisle & Marshall, Providence, R. I.

★ **Midland Cooperatives, Inc., Minneapolis, Minn.**
Oct. 5 (letter of notification) $250,000 of 5% subordinated debenture notes due in six, nine and ten years. **Price**—At par (in denominations of $100 each). **Proceeds**

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—To purchase as treasury stock outstanding class C and class D preferred stock and for working capital. **Office**—739 Johnson St., N. E., Minneapolis, Minn. **Underwriter**—None.

● Mississippi Power & Light Co.
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Offering**—Temporarily postponed.

★ Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

Monterey Uranium Corp., Salt Lake City, Utah
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

Moore Fabrics, Inc., Pawtucket, R. I.
Sept. 24 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For working capital. **Office**—45 Washington St., Pawtucket, R. I. **Underwriter**—Barrett & Co., same city.

Mountain States Uranium, Inc.
May 19 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nevada.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ National Dairy Products Corp.
Oct. 7 filed 587,110 shares of common stock (par $5) to be offered to key employees of the company and its subsidiaries under an "Employees' Stock Purchase Plan."

National Fuel Gas Co. (11/8)
Sept. 29 filed 381,018 shares of common stock (no par) to be offered for subscription by common stockholders of record about Nov. 8 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire about Nov. 29. **Proceeds**—For investments in and advances to subsidiaries. **Underwriter**—None.

Nevada Southern Gas Co.
Aug. 30 filed 20,000 shares of 6% first preferred stock (par $20) and 100,000 shares of common stock (par $1). **Price**—Of preferred, $20 per share; and of common, $6 per share. **Proceeds**—To repay obligations of the company incurred in connection with the acquisition of the business and assets of Las Vegas Gas Co. **Underwriter**—First California Co., Inc., San Francisco, Calif.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ New Mexico Petroleum Co., Inc., Pleasantville, N. J.
Oct. 4 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

New York Telephone Co. (10/19)
Sept. 29 filed $75,000,000 of 35-year refunding mortgage bonds, series H, due Oct. 15, 1989. **Proceeds**—To refund $35,000,000 of 3¾% series G bonds and repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Oct. 19 at 140 West Street, New York, N. Y.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

Northern Oil & Gas Corp., Bismarck, N. D.
Sept. 16 (letter of notification) 250,000 shares of 6% preferred stock (par $1) and 50,000 shares of common stock (par $1) to be offered in units of five shares of preferred and one share of common stock. **Price**—$6 per unit. **Proceeds**—For oil and gas exploration. **Office**—408½ main St., Bismarck, N. D. **Underwriter**—Transwestern Investment Co., Inc., Dallas, Tex.

Northwest Defense Minerals, Inc.
Aug. 12 (letter of notification) 300,000 shares of common stock, of which 270,000 shares are to be offered to public and 30,000 shares to underwriter. **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—2101 S St., N. W., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Oil Ventures, Inc., Denver, Colo.
Oct. 1 (letter of notification) 268,000 shares of common stock (par one mill). **Price**—$1 per share. **Proceeds**—For oil and mining activities. **Office**—2200 Poplar St., Denver, Colo. **Underwriter**—None, but Homer G. Huntzinger, President and Treasurer, will handle sales.

Ol Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

★ Old Hickory Copper Co., Phoenix, Ariz.
Oct. 7 (letter of notification) 750,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Offices** — Mayer-Heard Bldg., Phoenix, Ariz., and 2 Broadway, New York, N. Y. **Underwriter**—General Investing Corp., New York.

● Pacific Clay Products, Los Angeles (10/27)
Oct. 6 filed 43,625 shares of capital stock (par $8). **Price**—To be supplied by amendment. **Proceeds**—To Reese L. Milner, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., New York.

● Package Machinery Co. (10/21)
Oct. 1 filed 60,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, and from private placements of notes and debentures, to be used to retire $1,050,000 of debentures now outstanding, to acquire capital stock of Reed-Prentice Corp., and for working capital. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

Pan-American Uranium, Inc.
Sept. 20 (letter of notification) 600,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds**—For exploration and development costs. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Hale & Co., Salt Lake City, Utah.

● Pan-Israel Oil Co., Inc. (10/21)
Sept. 21 filed American voting trust certificates for 900,000 shares of common capital stock (par one cent), of which 750,000 shares are to be publicly offered. The remaining 150,000 shares are to be optioned to underwriters. **Price**—Last sale on American Stock Exchange day preceding the offering. **Proceeds**—For exploratory drilling and development of presently held acreage in Israel. **Underwriter**—Gearhart & Otis, Inc., New York.

★ Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah.

Peabody Coal Co., Chicago, Ill.
July 14 (letter of notification) 17,300 shares of 5% convertible prior preferred stock (par $25). **Price**—At market (estimated at $11.75 per share). **Proceeds**—To certain selling stockholders.—**Underwriter**—Fairman, Harris & Co., Inc., Chicago, Ill.

● Peerless Casualty Co., Keane, N. H. (10/22)
Sept. 24 filed 170,000 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each two shares held of record about Oct. 22; rights to expire Nov. 1. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriter** — Kidder, Peabody & Co., New York.

Penobscot Chemical Fibre Co. (10/15)
Sept. 27 filed $1,400,000 first mortgage 4⅛% bonds due Oct. 1, 1974. **Price**—To be supplied by amendment. **Proceeds** — To redeem $1,124,000 of outstanding 5% bonds at 103¼% and 2,942 shares of 7% preferred stock at $103 per share. **Underwriters**—Coffin & Burr, Inc. and Chace, Whiteside, West & Winslow, Inc.

Peoples Securities Corp., New York
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

★ Pioneer Uranium Corp., Moab, Utah
Oct. 8 (letter of notification) 75,000 shares of capital stock (par 15 cents). **Price**—At market (approximately 33 cents per share). **Proceeds** — For working capital. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

Quaker Warehouse Co., Inc., Philadelphia, Pa.
Sept. 10 filed $900,000 of 10-year 6% debentures due Sept. 1, 1964, to be offered to stockholder members of Quaker City Wholesale Grocery Co., a 100% cooperative retail grocer owned organization. **Price**—At par. **Proceeds**—To purchase building, and for modernization and improvements. **Underwriter**—None.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning. 630 McLean Ave., Yonkers, N. Y.

Rieser's (H. F.) Sons, Inc.
Sept. 22 (letter of notification) 99,900 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay bank loan and for working capital. **Office**—West Leesport, Pa. **Business**—Engaged in manufacture, scientific compounding and processing of livestock feeds, for dairy cattle, poultry and swine. **Underwriter**—First Chelsea Corp., New York.

★ Salisbury Broadcasting Corp., Paxton, Mass.
Oct. 1 (letter of notification) $120,500 of seven-year 4% debentures and 1,809 shares of common stock (par $1), each purchaser of a $1,000 debenture to be entitled to purchase 15 shares of stock. **Price**—At par. **Proceeds**—For new equipment, rehabilitation of equipment, and working capital. **Office** — Asnebumskit Hill, Paxton, Mass. **Underwriter**—None.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

San Juan Racing Association (Puerto Rico)
Oct. 1 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To build and operate a horse-racing establishment in Puerto Rico. **Office**—Flamingo Bldg., Santurce, P. R. **Underwriter**—Hunter Securities Corp., New York.

Santa Fe Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development of properties. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

● Selevision Western, Inc.
Aug. 27 (letter of notification) 240,000 shares of class A convertible stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital, etc. **Underwriter**—Whitney-Phoenix Co., Inc., New York. Effective Oct. 5.

● Sierra Pacific Power
Sept. 10 filed 34,807 shares of common stock (par $15) being offered for subscription by common stockholders of record Oct. 5 on the basis of one share for each five shares of preferred stock held and one new share for each 10 common shares held (with an oversubscription privilege); rights to expire on Oct. 22. **Price**—$32 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — Stone & Webster Securities Corp., New York; and Dean Witter & Co., San Francisco, Calif.

★ Sierra Pacific Power Co. (11/9)
Oct. 8 filed $4,000,000 of first mortgage bonds due Nov. 1, 1984. **Proceeds**—To redeem $1,500,000 of 3¾% bonds, to repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Kidder, Peabody & Co. **Bids**—Expected about Nov. 9.

★ Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

★ Southeastern Fund, Columbia, S. C.
Oct. 8 (letter of notification) 57,619 shares of common stock (par $1), $100,000 of 8-year 6% subordinated sinking fund debentures due 1962 (with stock purchase warrants to purchase 15,000 shares of common stock). **Price**—Of stock, $2.62½ per share; and of debentures, at par. **Proceeds**—To invest in capital stock of wholly-owned subsidiaries, to purchase additional sales contracts, and for working capital. **Office**—1224 Sumter St., Columbia, S. C. **Underwriters**—Reynolds & Co., Winston-Salem, N. C.; Powell & Co., Fayetteville, N. C.; Lloyd E. Canady & Co., Raleigh, N. C.; Smith-Clanton & Co., Greensboro, N. C.; and Frank S. Smith & Co., Inc., Columbia, S. C.

Southern New England Telephone Co.
Sept. 17 filed 488,888 shares of capital stock (par $25) being offered for subscription by stockholders of record Sept. 29 on the basis of one new share for each nine shares then held; rights to expire on Oct. 29. **Price**—$30 per share. **Proceeds** — To repay advances from American Telephone & Telegraph Co., which owns 1,173,696 shares (or 26.67%) of the 4,400,000 shares presently outstanding. **Underwriter**—None.

Southwestern Financial Corp., Dallas, Texas
Aug. 30 (letter of notification) 285,000 shares of common stock (par 10 cents) being offered first for subscription by stockholders of Texas Industries, Inc. (with a 14-day standby). **Price**—$1 per share. **Proceeds**—To purchase equipment and for working capital. **Underwriters** — Rauscher, Pierce & Co., Dallas, Texas; and Russ & Co., San Antonio, Texas.

Square Root Industries, Inc.
Sept. 30 (letter of notification) 1,000,000 shares of common stock (par 10 cents) to be first offered to stockholders. **Price** — 30 cents per share. **Proceeds** — For working capital. **Office** — 391 Saw Mill River Road, Yonkers, N. Y. **Underwriter**—Israel & Co., New York.

Standard-Thomson Corp., Dayton, Ohio (10/20)
Sept. 30 filed 140,000 shares of 5½% cumulative preferred stock (par $12.50), convertible into common stock through Oct. 31, 1964. **Price**—To be supplied by amendment. **Proceeds**—To reduce RFC loans and for general corporate purposes. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

★ Stonewall Insurance Co., Mobile, Ala.
Oct. 6 (letter of notification) 5,000 shares of common stock (par $20) to be initially offered for subscription by stockholders of record Oct. 15, 1954 on the basis of one new share for each three shares held; rights to expire on Nov. 1. **Price**—$40 per share to stockholders; and $41 to public. **Proceeds**—To increase capital and surplus for expansion of business. **Office**—154 Saint Louis St., Mobile, Ala. **Underwriters**—Sterne, Agee & Leach, Birmingham, Ala.; and Shropshire & Co., Mobile, Ala.

Stylon Corp., Milford, Mass.
Sept. 27 filed 650,000 shares of common stock (par $1) to be offered to the holders of the $1,300,000 City of Florence, Ala., 5% first mortgage industrial development revenue bonds on the basis of 500 shares of stock for each $1,000 bond up to and including Aug. 31, 1958; 333 shares per $1,000 bond thereafter and up to and including Aug. 31, 1963; 250 shares thereafter and up to and including Aug. 31, 1968; and 200 shares thereafter to Oct. 15, 1977. It is the present intention of the management of the company to hold any bonds so tendered for the purposes of receiving tax-free income thereon. **Underwriter**—None.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Supermarket Merchandisers of America, Inc.
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tampa Marine Co., Tampa, Fla.
Sept. 28 filed 300,000 shares of class A stock (par $1), of which Gulf-Atlantic, Inc., Tampa, Fla., has agreed to purchase for distribution not less than 165,000 shares and to use its best efforts to sell the balance. **Price**—$3 per share. **Proceeds** — For construction of stevedoring facilities, purchase of additional barges and working capital. **Underwriter**—Gulf Atlantic, Inc., Tampa, Fla.

★ Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For exploration and development expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

● Templeton Growth Fund of Canada, Ltd.
Oct. 1 filed 500,000 shares of common stock (par $1). **Price** — $21.50 per share. **Proceeds** — For investment. **Office**—Toronto, Canada. **Underwriter**—White, Weld & Co., New York. **Offering** — May be toward close of October.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

Texas Power & Light Co. (10/18)
Sept. 22 filed $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem 3⅞% first mortgage bonds due 1983, and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp. **Bids** — Expected to be received up to 11:30 a.m. (EST) on Oct. 18 at Room 2033, Two Rector St., New York 6, N. Y.

● Thompson-Starrett Co. Inc. (10/25-26)
July 29 filed 118,000 shares of cumulative convertible preferred stock (par $10) and 118,000 shares of common stock (par 10 cents. **Price**—To be supplied by amendment. **Proceeds**—To repay $1,000,000 bank loans and for general corporate purposes. **Underwriters**—Blair & Co., Inc. and Emanuel, Deetjen & Co., both of New York.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

★ Trans Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—358 S. 3rd St. East, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., same city.

Tri-Continental Corp.
Sept. 8 filed 810,740 shares of new $2.70 cumulative preferred stock (par $50) being offered in exchange for the presently outstanding $6 preferred stock (no par value) on the basis of two new shares for each $6 preferred share held. Offer will expire on Oct. 27. Unexchanged $6 preferred stock will be called for redemption on Oct. 31. 1954. **Underwriter** — Union Securities Corp., New York.

Triassic Uranium, Inc., Casper, Wyo.
Sept. 20 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development costs. **Office**—300 Consolidated Royalty Bldg., Casper, Wyo. **Underwriter**—Glen E. Hendershot, 2520 Deming Blvd., Cheyenne, Wyo.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

★ Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration and development costs. **Office**—424 Judge Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed Co., same city.

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Office** — Memphis, Tenn. **Underwriters**—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

United States Lithium Corp.
Sept. 9 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expense incident to extraction operations. **Office**—1111 Walker Bank Building, Salt Lake City, Utah. **Underwriter**—Thornton D. Morris & Co., the same city.

★ Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For cost of Driller Boy (drilling equipment which company rents out), and working capital. **Office**—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. **Underwriter**—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

★ Upper Peninsula Power Co. (10/27)
Oct. 7 filed 30,625 shares of common stock (par $9) to be offered for subscription by common stockholders of record Oct. 26 at the rate of one new share for each eight shares held; rights to expire Nov. 10, **Price**—To be supplied by amendment. **Proceeds**—To purchase stock of Upper Peninsula Generating Co. (a 50% owned affiliate) and for general corporate purposes, including company's construction program. **Underwriters** — Kidder, Peabody & Co. and Paine, Webber, Jackson & Curtis, both of New York.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office** 227 N. University Ave., Provo, Utah. **Underwriter**—Bay Securities Corp., New York.

Uranium Chief, Inc., Salt Lake City, Utah
Sept. 21 (letter of notification) 26,400,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office** — 323 East 2nd South, Salt Lake City, Utah. **Underwriter**—Coombs & Co., Ogden, Utah.

Uranium Corp. of Colorado
Sept. 23 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and development costs. **Office** — 129 East 60th St., New York, N. Y. **Underwriter**—None.

★ Uranium Drilling & Exploration, Inc., Denver, Colo
Oct. 8 (letter of notification) 48,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office** — 620-19th St., Denver, Colo. **Underwriter**—None.

★ Uranium Mines, Inc., Wallace, Idaho
Oct. 1 (letter of notification) 1,450,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development costs. **Office**—Scott Bldg., Wallace. Idaho. **Underwriter**—Hunter Securities Corp., New York.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

● Vendorlator Manufacturing Co. (10/21)
Sept. 27 filed $900,000 of 12-year 6% sinking fund debentures due Oct. 1, 1966 (with stock purchase warrants attached). **Price**—At par (each purchaser of a $1,000 debenture to receive a warrant to purchase 50 shares of common stock at $8 per share). **Proceeds**—To purchase plant equipment and for working capital. **Office** — Fresno, Calif. **Underwriters** — Lester, Ryons & Co., Los Angeles, Calif.; and Bailey & Co., Fresno, Calif.

● Venezuelan Sulphur Corp. of America (10/21)
Sept. 17 filed 1,000,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To pay obligations of Venezuela Sulphur Corp., C.A.; and for advances to latter for exploratory and geological surveys and related activities. **Underwriter**—Hunter Securities Corp., New York.

Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par $2) and 96,770 shares of common stock (par $1) in units of one share of each class. **Price**—$3.10 per unit. **Proceeds**—For exploration and development expenses. **Office**—1812 St. Catherine St. West, Montreal, Canada. **Underwriter**—B. Fennekohl & Co., New York.

Warren Corp., Tulsa, Okla.
Sept. 27 filed 200,000 shares of common stock (par $1). **Price**—$5.25 per share. **Proceeds**—To retire outstanding notes, purchase and develop additional leases and overriding royalties, etc. **Underwriter**—None.

Warren Oil & Uranium Mining Co., Inc., Denver, Colo.
Aug. 6 filed 65,000,000 shares of common stock (par one cent). **Price**—7½ cents per share. **Proceeds**—To purchase mining claims and exploratory equipment, and for exploration costs. **Underwriter**—Weber Investment Co., Salt Lake City, Utah.

Washington Natural Gas Co., Clarksburg, Va.
Sept. 20 (letter of notification) 10,000 shares of common stock. **Price**—At the market (estimated at $1.37½ per share). **Proceeds**—To Elizabeth D. Hardman, the selling stockholder. **Underwriter**—Barrett Herrick & Co., Inc., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). **Price**—At market (estimated at 36½ cents). **Proceeds**—To certain selling stockholders. **Office** — 32 Broadway, New York. **Underwriter** — S. B. Cantor Co., New York.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ Western Uranium Corp., Reno, Nev.
Sept. 27 (letter of notification) 900,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development costs. **Address**—c/o Nevada Agency & Trust Co., 139 North Virginia St., Reno, Nev. **Underwriter**—None.

★ Willingham Finance Co., Inc., Augusta, Ga.
Oct. 6 (letter of notification) 15,000 shares of cumulative participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—917 Reynolds St., Augusta, Ga. **Underwriter**—Johnson, Lane, Space & Co., Inc., same city.

Wind River Uranium Co.
Sept. 15 (letter of notification) 9,965,000 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter** K. T. Hansen & Co., same city.

● Wisconsin Michigan Power Co. (10/26)
Sept. 29 filed $3,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be opened on Oct. 26.

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Wisconsin Public Service Corp. (10/14)
Sept. 15 filed $12,500,000 first mortgage bonds due Oct. 1, 1984. **Proceeds**—To refund $8,000,000 4⅛% bonds presently outstanding and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Union Securities Corp. (jointly); White, Weld & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Dean Witter & Co.; The First Boston Corp. Previous common stock offer was underwritten by The First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co. **Bids**—To be received on Oct. 14 up to 10 a.m. (CST) at 231 So. La Salle St., Chicago 4, Ill.

Woodbury (Conn.) Telephone Co. (10/15)
Sept. 10 (letter of notification) 2,650 shares of common stock to be offered for subscription by stockholders of record Oct. 15, 1954 in the ratio of one new share for each share held; with rights to expire on Nov. 12. **Price**—At par ($25 per share). **Proceeds**—For construction program. **Underwriter**—None.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

● Wytex Oil Corp.
Sept. 17 (letter of notification) $290,000 of 10-year 5% sinking fund debentures (with warrants) being offered to class A and for class B stockholders of record Aug. 29 on the basis of $500 of debentures for each 50 shares of stock held; rights to expire on Nov. 30. **Price**—At par. **Proceeds**—To reduce bank loans and for development of company's wells in Weston County, Wyo. **Office** — 100 State St., Albany 7, N. Y. **Underwriter**—None.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

● Zotox Pharmacal Co., Inc. (10/18)
Sept. 24 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—122 Broad St., Stamford, Conn. **Underwriter**—Frederick H. Hatch & Co., Inc., New York.

Prospective Offerings

Anglo California National Bank
Oct. 6 this bank made an offering to stockholders of 262,500 additional shares of capital stock (par $20) on the basis of one new share for each four shares held Oct. 5; with rights to expire Oct. 27. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif. and others.

Axe Atomic & Electronic Fund
Sept. 20 it was reported securities of this new closed-end fund will be soon offered through Axe Securities Corp., New York, N. Y.

Bangor & Aroostook RR.
Oct. 5 it was reported company plans to issue and sell $2,850,000 of equipment trust certificates to be dated Nov. 1, 1954 and to mature annually through Nov. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Blair & Co. Incorporated; Kidder, Peabody & Co.

Black Hills Power & Light Co.
Sept. 28 it was reported company may issue and sell approximately $1,000,000 of new convertible preferred stock. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York. **Meeting**—Stockholders on Nov. 19 will vote on authorizing sale of not over $2,000,000 of preferred stock.

★ Byers (A. M.) Co.
Oct. 11, A. B Drastrup, President, announced that company plans to refinance the 42,277 outstanding shares of 7% preferred stock (par $100) through a new issue of preferred stock and possibly also include issuing additional common stock. **Proceeds**—To retire existing preferred stock and for capital expenditures and working capital. **Underwriter**—Previous preferred stock financing was handled by Dillon, Read & Co. Inc., New York.

California Bank, Los Angeles, Calif.
Sept. 28 stockholders of record Sept. 27 were given the right to subscribe on or before Oct. 27 for 200,000 additional shares of capital stock (par $12.50) on the basis of one new share for each four shares held. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. and others.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

Chesapeake & Ohio Ry. (11/9)
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. **Bids**—Expected Nov. 9.

Chicago & Eastern Illinois RR.
Sept. 21 company filed an application with the ICC for authority to issue $15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par $40).

★ Compo Shoe Machinery Corp.
Oct. 7 it was reported company may be planning the sale of a new issue of convertible preferred stock (par $25), first to stockholders. **Underwriter**—May be Loewi & Co., Milwaukee, Wis.

Consolidated Natural Gas Co.
Sept. 16 J. French Robinson, President, announced that stockholders on Dec. 2 will vote on authorizing additional shares of capital stock for an offering to stockholders planned for 1955. **Underwriter**—None.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Eastern Utilities Associates
Sept. 20 it was reported company plans issue and sale of $7,500,000 collateral trust bonds due 1984. **Proceeds**—To be used principally to refund $7,000,000 4⅜% bonds now outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. **Bids**—Expected to be received sometime in November.

First National Bank of Memphis (Tenn.)
Oct. 5 stockholders of record that date were given the right to subscribe on or before Oct. 19 for 200,000 additional shares of capital stock (par $10). **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York; and Equitable Securities Corp., Nashville, Tenn.

★ Fort Worth Steel & Machinery Co.
Oct. 5 it was announced a public offering is planned of 80,000 shares of common stock (par $1) to residents of Texas only. **Price**—Tentatively in the $10 to $11 range, subject to market conditions. **Proceeds**—To certain selling stockholders. **Underwriters** — Moroney, Beissner & Co.; Shawell & Co., Inc.; Underwood, Neuhaus & Co.; Chas. B. White & Co.; Eppler, Guerin & Turner; and several other Texas firms.

General Telephone Co. of the Southwest
Aug. 25 stockholders approved an increase in the authorized preferred stock (par $20) from 400,000 to 700,000 shares and in the common stock from 500,000 to 1,000,000 shares. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

General Telephone Co. of Upstate New York
July 2 it was reported company plans to issue and sell 50,000 shares of 5% cumulative preferred stock (par $25). **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contempiates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Gulf, Mobile & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Hamilton National Bank, Washington, D. C.
Sept. 14 stockholders approved merger of this Bank and National Bank of Washington, effective Oct. 1, 1954, the consolidated Bank to be known as National Bank of Washington, which will have a capitalization of 410,000 shares of $10 par value each. These will be issued in exchange for present Hamilton stock on the basis of two shares for each Hamilton share held, and in exchange for stock of National Bank on a share-for-share basis. Johnston, Lemon & Co., Washington, D. C., is authorized to pay $55 per share for any stock of the consolidated company not issued in exchange.

Holly Corp., New York.
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

● Household Finance Corp.
Oct. 7 preferred stockholders approved a proposal to increase the authorized amount of preferred stock (par $100) from 312,000 shares to 592,000 shares. **Underwriters**—Lee, Higginson Corp. and Kidder, Peabody & Co., both of New York; and William Blair & Co., of Chicago and associates.

● Illinois Central RR. (12/15)
Oct. 12 it was reported company plans to issue and sell $18,000,000 of sinking fund debentures due 1979. **Proceeds**—Together with treasury funds to redeem 372,914 shares of outstanding preferred stock (par $50). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected on Dec. 15.

● Interstate Power Co. (11/30)
Sept. 27 it was reported company is considering issuance and sale of 200,000 shares of cumulative preferred stock (par $50). **Proceeds** — To redeem $5,000,000 of 4.70% preferred stock presently outstanding, to repay $2,000,000 of bank loans and for construction program. **Underwriter**—Last preferred stock financing was handled by Smith, Barney & Co. If through competitive bidding, probable bidders may include: Smith, Barney & Co.; Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Registration** — Planned for Oct. 29. **Bids** — Expected Nov. 30.

Kansas City Power & Light Co.
Sept. 15 it was announced that company may sell in the latter part of 1954 or early in 1955 $16,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co., (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp.

Kansas City Southern Ry.
Sept. 20 it was reported company may issue and sell in November about $50,000,000 first mortgage bonds. **Proceeds**—To refund $38,345,000 of 4s due 1975 and $13,336,000 of 3⅝s due 1966. **Underwriter** — To be determined by Competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (with latter handling books); Kuhn, Loeb & Co., Ladenburg, Thalmann & Co. and Blyth & Co., Inc. (jointly).

Kansas Power & Light Co.
Oct. 4, D. E. Ackers, President, announced that the company plans to sell approximately $8,000,000 of bonds in the next few weeks. **Proceeds**—To repay bank loans and for construction purposes. **Underwriter**—Previous bond sale was done privately through The First Boston Corp.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

Laclede Gas Co.
Aug. 6 it was reported company plans to issue and sell $20,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc. and Drexel & Co. (jointly). **Bids**—Expected in October.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds — To** finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Mexican Gulf Sulphur Co.
Aug. 30 it was reported company plans issue and sale of 200,000 additional shares of common stock. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Missouri Insurance Co.
Sept. 28 it was reported that 202,320 shares of capital stock (par $5) will soon be publicly offered. **Proceeds**—To selling stockholders. **Underwriters**—A. G. Edwards & Sons, St. Louis, Mo., and R. S. Dickson & Co., Charlotte, N. C.

National Bank of Washington
See Hamilton National Bank above.

National City Bank of New York
Sept. 20 stockholders approved a proposal to increase the capital and surplus of the company by $131,250,000 through the sale of 2,500,000 additional shares of capital stock (par $20) to stockholders by subscription on the

basis of one new share for each three shares held as of Sept. 24; with rights to expire on Oct. 22. Subscription warrants were mailed on Sept. 30. **Price**—$52.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp. heads group.

National Starch Products, Inc.
Sept. 28 stockholders approved an authorized issue of 40,000 shares of new prefererd stock (par $100), a part of which may be issued privately to finance a new midwestern plant to produce vinyl resins. **Underwriter**—F. Eberstadt & Co., Inc., New York, handled previous financing.

★ National State Bank of Newark (N. J.)
Oct. 7 it was announced stockholders will on Oct. 19 vote on approving, among other things, an offering to stockholders of 25,000 additional shares of capital stock (par $25) on the basis of one new share for each four shares to be held following 4-for-1 stock split-up and receipt of 25% stock dividend. **Price**—$80 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—Clark, Dodge & Co.; Union Securities Corp.; and Adams & Hinckley.

New Orleans Public Service Inc. (12/14)
Oct. 1 it was announced company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 in December of this year. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp (jointly); The First Boston Corp.; White, Weld & Co. **Registration**—About Nov. 5. **Bids**—Expected Dec. 14.

Pacific Power & Light Co.
Sept. 19 it was announced stockholders will vote Oct. 19 on a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction.

Pacific Telephone & Telegraph Co. (11/16)
Sept. 2 the directors authorized the issue and sale of $50,000,000 of 35-year debentures to be dated Nov. 15, 1954. **Proceeds**—To redeem a like amount of 31-year 4% debentures due Sept. 15, 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co., Lehman Brothers and Union Securities Corp. (jointly). **Bids**—Expected to be received at 195 Broadway, New York, N. Y., on Nov. 16.

Peninsular Telephone Co.
Sept. 28 it was reported stockholders on Oct. 20 will vote on increasing the authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters**—Last financing was handled by Morgan Stanley & Co. and Coggeshall & Hicks. Not imminent.

★ Penn Fruit Co.
Oct. 6 it was announced stockholders on Oct. 15 will vote on increasing the authorized common stock from 850,000 to 2,000,000 shares in order to provide for a 2-for-1 stock split and on approving a new issue of 100,000 shares of preferred stock (par $50). **Underwriter**—May be Hemphill, Noyes & Co., New York.

Penn-Texas Corp.
Sept. 26, L. D. Silberstein, President and Chairman of the Board, announced stockholders on Oct. 18 will vote on increasing the authorized capital stock (par $10) by 1,000,000 shares, of which approximately 220,000 shares are to be publicly offered. **Price**—From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds** — Of the approximately $3,000,000 which would be obtained, about $1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another $1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program.

Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.
Aug. 24 it was announced stockholders will be offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of new new share for each 14 shares held. **Price**—To be named later. **Proceeds**—To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith Barney & Co., of New York. **Meeting**—Stockholders are to vote Nov. 1 on approving new financing.

Pressed Steel Car Co., Inc.
Sept. 17 it was announced that arrangements have been made with Lehman Brothers, New York, for an immediate secondary offering of all or part of the $5,300,000 of convertible subordinated debentures due Oct. 1, 1969, which are to be issued in part payment of the total purchase price for all of the business, good will, properties and other assets of Clearing Machine Corp. The latter will liquidate and dissolve and the debentures distributed to Clearing stockholders, some of whom are making arrangements to sell the debentures.

Public Service Co. of Oklahoma
Aug. 28 it was reported that company may issue and sell 75,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co.

Public Service Co. of Oklahoma
Sept. 2 it was reported company may sell between $20,000,000 and $25,000,000 of first mortgage bonds in January. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Shields & Co.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.
Nov. 9.

★ Southern Ry (10/28)
Oct. 11 it was announced company will up to noon (EST) on Oct. 28 receive at its office, 70 Pine St., New York 5, N. Y., bids for the purchase from it of $15,000,000 collateral promissory notes to be dated Nov. 1, 1954 and to mature annually from Nov. 1, 1955 to Nov. 1, 1964, inclusive. **Proceeds**—To finance purchase from Baltimore & Ohio RR. of its holdings in Southwestern Construction Co.

Standard Oil Co. (New Jersey)
Sept. 22 company announced that it proposes to file a registration statement with the SEC covering the offering of authorized but unissued shares of its $15 par value capital stock, which will be offered in exchange for stock of Humble Oil & Refining Co. on the basis of approximately nine Standard Oil shares for each 10 shares of Humble Oil stock. The offer will be subject to deposit of sufficient Humble Oil shares so that holdings will amount to at least 80% of the outstanding Humble Oil stock, of which Standard now owns 26,034,384 shares, or approximately 72%.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an over-subscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.
Aug. 20 directors approved in principle a plan to sell 600,000 additional shares of common stock this Fall. They will be offered to common stockholders at the rate of one new share for each 10 shares held on the record date, which is presently expected to be in November. **Proceeds** — To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of $7,000,000 of first mortgage bonds, series B. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

Underwriters are in much better shape to go after next week's hefty New York Telephone Co. offering than it appeared they might be a week ago as a result of the turn of events in the new issue market over the last several days.

Just when syndicate participants in a number of recent deals were proceeding to take down their remaining commitments for "inventory" things began to happen.

As one astute observer put it "a couple of the larger institutional buyers bit at the fly." Evidently this was all that was needed to start things moving. At any rate groups which had been preparing to "pack their loads" for a little while, found these "inventories" being taken off their hands.

Lest there be any misunderstanding, it should be noted that the buyers were insurance companies around the country, along with pension and trust funds which have been the backbone of the market in recent years and steadily increasing their roles in that direction.

None of the so-called "Big Five" put in an appearance and it is presumed that these institutions which still balk at current yields on new issues, continue to employ their funds through the medium of directly negotiated deals.

N. Y. Telephone Next

With bids due to be opened Tuesday morning, N. Y. Telephone Co.'s offering of $75,000,000 of new 35-year bonds, due 1989, promises to be the center of really keen competition.

On an issue of this size bidding frequently narrows down to two formidable banking groups. But in the current instance it now appears that directors will have the opportunity to choose the best of four prospective banking tenders.

The big communications company will use part of the proceeds for the redemption of $35,000,000 of 3⅞% bonds, due 1984, and the balance to pay-off bank loans.

Two Other Utility Deals

Aside from Telephone's undertaking, there is not much in the way of new issue business on tap this week. Bankers will have a chance to go after two other relatively small offerings.

On Monday they will be bidding for $20,000,000 of new bonds of Texas Power & Light Co., which will put the utility in funds to redeem $5,000,000 of 3⅞% bonds, due in 1983 and provide for new construction.

On Wednesday, Louisiana Power & Light Co. is opening bids for $18,000,000 of new bonds, largely in the nature of a refunding operation. It will redeem $12,000,000 of outstanding 4s due 1983 and use the balance for financing expansion.

Direct to Lender

It is deals like that closed this week by Superior Oil Co. of Calif., which permit large institutional investors to virtually ignore the new issue market.

The company arranged with a group of seven banks for loans aggregating $40,000,000 to mature from 1958 to 1962 at a 3½% interest cost, even though it does not expect to call on the credit immediately.

The new arrangement replaces a $25,000,000 credit, set up earlier this year. Insurance companies meantime, have been picking up much of the same type of business and, in their case, considerable in the way of longer-term obligations.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—Jean-Jacques Chabot is now with King Merritt & Co., Inc.

DIVIDEND NOTICES

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of 1955's upcoming projects, if the Congress to be elected in November is at all sympathetic, is an arrangement for a fairly "heavy investment, both public and private," in another class of the deserving poor.

That will be an investment in the rehabilitating of the nation's poorer farmers. Extensive studies enlisting the advice of some of the most scholarly minds of the land are now going toward fruition, as to just how to go about this.

Agriculture Secretary Benson has a National Agricultural Advisory Commission studying this difficult problem. The Commission, it is understood, has about completed a tentative report and recommendations. These will be reviewed shortly by Secretary Benson himself. As approved and/or modified by the Secretary, this will go forward to Congress next year.

Thus they will constitute a series of recommendations as to how the taxpayer shall make his investment in solving the problems of the poorer farmers. The public "investment" will be like almost any kind of a public investment, such as for foreign aid, public housing, slum clearance, Federal aid to education, or so-called insured loans. In other words, some money will be spent.

More Poorer Farmers

For the Eisenhower Administration, much quicker than the Roosevelt Administration, learned that there are more poor farmers than there are well off and successful farmers. This problem was highlighted by President Eisenhower himself as far back as Jan. 11, 1954, when in his agricultural message to Congress he observed:

"The chief beneficiaries of price support policies have been the 2 million larger, highly mechanized farming units which produce about 85% of our agricultural output. The individual production of the remaining farms, numbering about 3,500,000, is so small that the farmer derives little benefit from price supports. During 1954, the Secretary of Agriculture in cooperation with the National Advisory Commission, will give further special attention to the problems peculiar to small farmers."

So the Commission study and the prospective report and recommendations about how to solve the problem.

Democrats Met Problem

Sometime in the course of the Roosevelt Administration, it was discovered also that there were more poor than there were successful farmers.

One answer of the Roosevelt Administration was the creation of the Resettlement Administration, now the Farmers Home Administration. This outfit went about it in three ways:

First, it provided loans.

Second it provided grants.

Third it proposed to provide cooperative industry in certain areas. The latter was a dismal failure and was dropped before long.

RA would go to a farmer who had a shack leaning in the wind and size up his situation. Maybe what the farmer needed was a plow and a mule and a new roof on the shack. Part of this was given in the form of a grant and part in the form of a repayable loan. Along with this went government supervision of the poor farmers, the supervisors being persons who farmed the Federal payroll and told the poor farmer how he could become a good farmer.

Still later it became apparent that the big cash crop farmers who were receiving the benefits of farm price supports were in election years biting the Democratic hand that was feeding them. So the D of A gave a strong backing to the National Farmers Union, the strongly "forward looking" outfit which is regarded as a company union of the former Democratic Administration, and the refuge currently of such men as Charley Brannan, the latest Democratic Secretary of Agriculture.

Nothing So Simple Is Planned

Mr. Eisenhower's planners are planning nothing so simple as a mere few loans and grants. Loans there will be, of course, to be sure, possibly even some free gratis money. But the Eisenhower Administration, unlike its predecessor, is said to see the problem as complex, one which will yield to no simple set of remedies according to some simple pattern.

For instance, it is doubted that the Eisenhower Administration will concern itself with the problem of the migratory non-workers (the hobos) or the non-migratory non-workers (the bums).

As the Eisenhower Administration's planners see the problem of the 3.5 million farmers who produce only 15% of the nation's commercially-sold farm produce, the problem divides itself into two broad phases:

There are those (1) who with rehabilitation can stay on the farm, and there are those (2) who had better get jobs elsewhere.

No hard and set system of proposals reportedly has been agreed upon, but more Federal assistance for vocational education, more Federal educational aid generally, better job opportunities by locating industries in rural areas, and sundry other things of this nature are planned for those for whom the farms probably will offer no adequate support.

Some farmers, with loans and grants, education, supervision to tell them how to farm, and financial help in one form or another, may be elevated to where they can enjoy TV and some of the other blessings of a democratic society.

Avoids Extremes

What the Eisenhower Administration is shooting at is to avoid extremes.

"One way would be to treat the problem as strictly the responsibility of the people directly concerned, leaving solutions to the unhibited operation of natural forces. . . ."

Another way (it wasn't put officially so bluntly) would be to load up the excess farm population in cattle cars and send them to some kind of a Siberia.

Neither of these extremes will be the method of the Eisenhower Administration, Don Paarlberg, executive secretary of the Commission, made clear in a recent speech.

This complicated system of education, aids, supervision, loans, and grants, the "middle way" will be the Eisenhower way.

May Avoid Further New Financing

September budget performance was reported to be so good that it is a good possibility that the Treasury may be able to avoid asking for $1 to $2 billion of new money in December, it was reported. At the time the Treasury announced the offering of $4 billion of two-year, seven month 1⅝% notes, it was thought possible that the additional sum would have to be raised in December, to take care of cash needs of the Treasury as a consequence of the seasonal drop in corporation tax revenues.

September was said to have shown a remarkable contraction in expenditures, but with revenues holding up to expectations, suggesting the possibility of avoiding this additional financing.

Ex-Im Bank Plan Forges Ahead

Despite the inveighing of Eugene Black of the World Bank against the danger of international competition to soften export credit terms, the Export-Import Bank is expected to forge ahead with its plans to accelerate export financing. Mr. Black's remarks, made at the recent World Bank and Monetary Fund meeting, were interpreted as a hefty crack at the Ex-Im bank's plans.

What the Export-Import Bank is going to do is to greatly liberalize credits to individuals, so they can get a large measure of help in meeting alleged competition from foreigners shipping on supposed easy credit from their own governments.

The program is said to be pitched especially at the Latin American market.

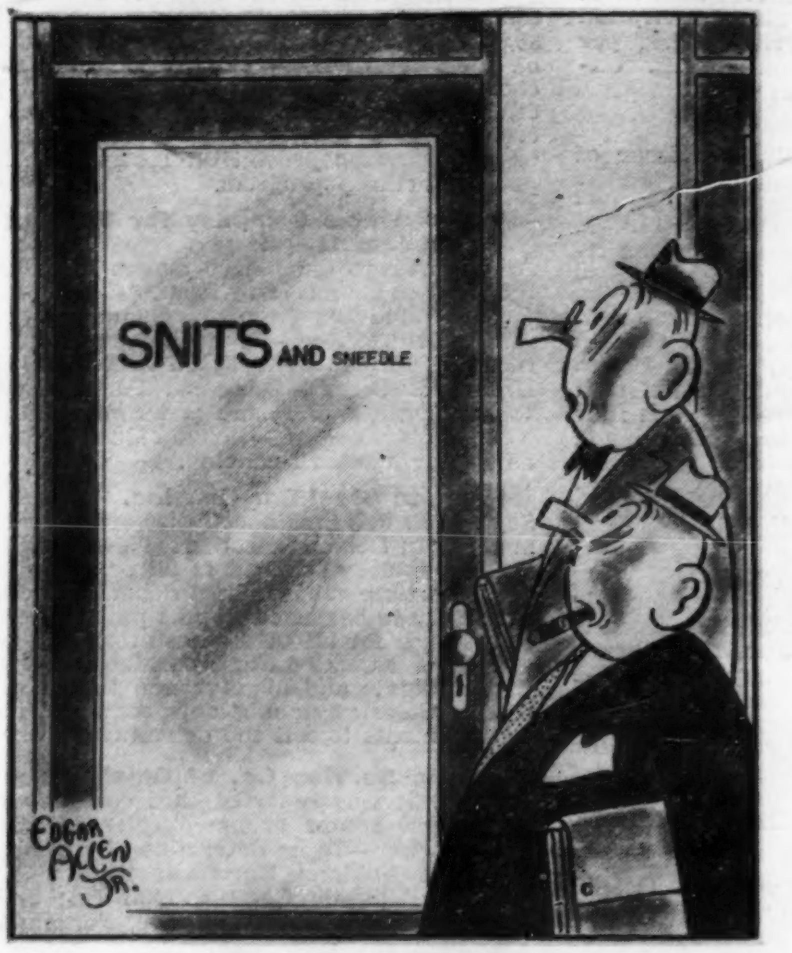
This broadened credit to finance exports will take two forms. As at present credit assistance will be given to individual firms on big deals, with the bank studying each transaction and suiting its help to each particular transaction.

The second phase is that established exporters will be able to get regular lines of credit from the bank, lines upon which they can count regularly. After a substantial down payment, a large proportion of the importer's notes will be bought by the Ex-Im bank.

The notes will be purchased without recourse to the exporter.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Think Snits has a tendency to overemphasize his 51% in the partnership?"

With Gottron, Russell Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Stephen S. Steiner has become affiliated with Gottron, Russell & Co., Union Commerce Building. Mr. Steiner was previously with Hayden, Miller & Co.

Business Man's Bookshelf

Business Management — John A. Shubin—Barnes & Noble, Inc., 105 Fifth Avenue, New York 3, N. Y. (paper), $1.75.

Gold Today—Joachim Joesten—David McKay Company, Inc., 55 Fifth Avenue, New York 3, N. Y. (cloth), $2.75.

Growth of Physical Capital in Agriculture, 1870-1950 — Alvin S. Tostlebe — National Bureau of Economic Research, 261 Madison Avenue, New York 16, N. Y. (paper), $1.25.

Hiring Practices and Labor Competition — Industrial Relations Section Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), $2.50.

International Aspects of Nationalization—Franz Martin Joseph—International Bar Association, The Hague, Netherlands (paper).

Investors Handbook — Jacob O. Kamm — The World Publishing Company, 2231 West 110th St., Cleveland 2, Ohio (cloth), $4.95.

National Stock Service — latest quotations and data on extra **dividends,** ranges (15 years), month-end quotations, capital **changes,** distributions, transfer **changes,** mergers, new issues and reorganizations—two weeks free trial (for dealers and brokers only)—see coupon on page 2 (NSTA Supplement) — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Ontario Mining Association Report of Directors 1953-1954 — Ontario Mining Association, 320 Bay Street, Toronto 1, Ont., Canada (paper).

Some Problems of Nationalization in International Law—Sir Hartley Shawcross — International Bar Association, The Hague, Netherlands (paper).

South American Handbook (South America, Central America, Cuba & Mexico)—H. W. Wilson Company, 950 University Ave., New York 52, N. Y. (cloth), $2.50.

Why Structural Steel Is Best for Schools — Booklet describing how steel framing has been successfully used in different types of school structures—American Institute of Steel Construction, 101 Park Avenue, New York 17, N. Y. (paper).

ESTABLISHED 1839

In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

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1954

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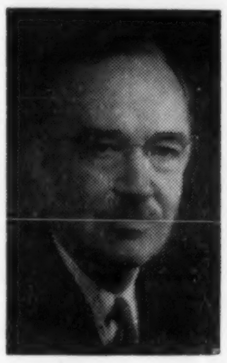

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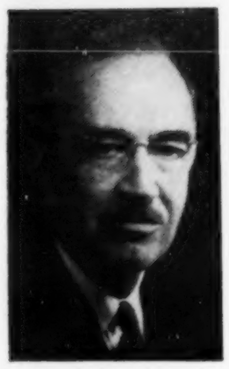

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Goldman, Sachs & Co., New York

1952-1953

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S. R. Livingstone, Crouse & Co., Detroit

1951-1952

John F. Egan
First California Company, San Francisco

1950-1951

H. Frank Burkholder
Equitable Securities Corp., Nashville

1949-1950

Edward H. Welch
Sincere and Company, Chicago

1946-1948

R. Victor Mosley
Stroud & Co., Inc. Philadelphia

1945-1946

Thomas Graham
Bankers Bond Co., Louisville

1944-1945

Edw. E. Parsons, Jr.
Parsons & Co., Inc. Cleveland

1942-1944

Wm. Perry Brown
Newman, Brown & Co., New Orleans

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1941-1942

Joseph W. Sener
John C. Legg & Company, Baltimore

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Herbert H. Blizzard
U. S. A. F.

1940-1941

Thomas A. Akin
Deceased

1939-1940

Edward D. Jones
Edward D. Jones & Co., St. Louis

1938-1939

Willis M. Summers
Deceased

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Arthur E. Farrell
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W. W. Cruttenden
Cruttenden & Co., Chicago

Presidential Greetings

The final curtain has just descended on the National Security Traders Association's 1954 convention. Not only was it a great and successful convention from the standpoint of program arrangement and outstanding speakers, but from the basic standpoint to which our Association is dedicated, namely to foster better relationship by the benefit of personal acquaintance between our members whose homes are scattered from coast to coast across this great nation.


John W. Bunn

With the closing of this our 21st Annual Convention lies another thought and one of great significance, our fine Association has reached its majority, its 21st birthday. Our membership now totals well over 4,000 with a total of 32 Affiliates. We as members of this Association are proud of this remarkable record of growth and give our heartfelt thanks to all our past officers and members who, through their noble efforts, have been successful in giving this Association the position in our Industry it enjoys today. This Convention had the largest attendance in the history of our Association. To all, who gave so freely of their time, thought and labor, may we extend our deepest appreciation.

May we once again thank our good friend, *The Commercial and Financial Chronicle*, for their excellent coverage of our Convention, not only in this Convention Issue, but also the pre-convention publicity which, without a doubt, contributed much to its success.

Our Philadelphia Affiliate did a wonderful job in entertaining us while at Atlantic City. STANY, too, were most gracious hosts for those who continued on to New York after the Convention.

Myself, my fellow Officers and members of the Executive Council pledge ourselves to the service of this Association during the coming year; this pledge, together with the suggestions and continued cooperation of all members, gives us the assurance the coming year will be one of significance for our Association and of benefit to our profession.

Sincerely,

JOHN W. BUNN, *President*

National Security Traders Association

OUR THANKS TO ALL

By HAROLD B. SMITH, Chairman, NSTA Advertising Committee

GREETINGS:

Many will remember 1954 for several reasons. Not only was our Convention held at Atlantic City after an interval of 17 years, but the number in attendance at the Claridge Hotel reached a new peak. Then, too, your National Advertising Committee is placing before you the second largest Convention Issue of *The Commercial & Financial Chronicle* since the inception of our Convention Number 14 years ago. It has been exceeded in size only by the 1946 picture issue. Moreover, I am proud to say I received greater cooperation this year than ever before and I predict bigger and better Conventions made possible by the increased income secured as a result of this rise in the cooperative spirit of our members. It must be gratifying to our older members, whose sacrifices were so great, to see our National Association mature as they envisioned it one day would, if they persisted in their endeavors.


Harold B. Smith

The NSTA Convention Issue of the *Chronicle* is an advertising medium of exceptional merit. It has excellent coverage of the investment dealer-broker and banking fields. Besides constituting a permanent souvenir of our Association at work and play, it is also really our Yearbook since it is the only place where a complete roster of all officers and members of our affiliated associations may be had in one place. And talking about rosters, to be among the roster of advertisers therein is a mark of distinction.

It is very appropriate that corporations be impressed with the wisdom of advertising in this issue of ours, along with the outstanding investment banking and brokerage firms of the country, for it is a very inexpensive method of not only reaching our members, but the principals and personnel of virtually every investment firm of consequence in the country who, in turn, are in touch with practically all of "investor America." What better audience could you find for a stockholders' relations effort?

As we progress in our advertising plans, we are guided more and more by a fellow member, Herbert D. Seibert, Editor of *The Commercial & Financial Chronicle*. He has made this program possible and the value of his cooperation just can't be estimated. So, Herb, we just want to express to you our most sincere and never-to-be-forgotten appreciation for your graciousness to us and through you our grateful acknowledgment of the work done by Ed Beck, Hal Murphy, Vince Reilly and Ted Peterson. Their unbelievable efforts to get advertising for this issue have been an inspiration to us all. I can't forget the help the girls on the *Chronicle* staff extended, too. Thanks, ladies.

May I, also, on behalf of all of our members, thank each and every one of our advertisers for their support, every member of our Advertising Committee mentioned below for giving so freely of their time, besides everyone else who assisted us in making this Convention and Yearbook Issue of ours an outstanding success.

HAROLD B. SMITH,
Chairman, NSTA Advertising Committee

Pershing & Co.
120 Broadway,
New York 5, N. Y.

Committee Members—In addition to Chairman Smith, the Advertising Committee consists of the following Chairmen of the local affiliates of NSTA:

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New Jersey Turnpike's Phenomenal Success

By HON. PAUL L. TROAST*
Chairman, New Jersey Turnpike Authority

Mr. Troast in calling attention to the New Jersey Turnpike's tremendous success, discusses the private financing of toll roads which has gained such rapid headway in the last five years. Says interest in financing toll roads is based on belief of need for modern highways, but cautions "Toll roads are not the panacea for the nation's highway ills." Gives history of New Jersey Turnpike's origin and development, and points out "our success has done much to make possible the financing and construction of modern toll roads in other States."

The well-known axiom "Success begets success" could be applied to the New Jersey Turnpike. The outstanding success of our Turnpike is providing the stimulus to many states to explore the feasibility of financing and constructing toll roads as a means of solving their peculiar problems of highway supply in relation to increasing traffic demand.

Paul L. Troast

When the New Jersey Turnpike was financed early in 1950, only two states had major toll roads in operation. One state had such a road under construction; 11 states had legislation to make studies and three had legislation under consideration for such roads.

The story today is quite different. At least 31 states are in the toll road picture. Several have such roads under construction, others are studying their feasibility, and still others are exploring legislation for their need, financing and construction as a means of supplementing present inadequate free highway systems. Studies also are being made in Washington to determine whether or not the Federal Government may assist in financing such roads where justification is indicated.

This tremendous interest stems from several factors. The principal one is the need for modern highways to provide for the ever-increasing and record number of vehicles coming into use in our motorized economy.

It stems, also, from the fact that the normal revenues of state highway departments are not sufficient to cope with the expanding needs for modern highways and the final fact that toll roads, privately-financed, provide the quickest, and, in some cases, the only solution to the country's highway dilemma. They are filling the gap between the increased demand for highways and the shortened supply.

*An address by Mr. Troast at the 21st Annual Convention of the National Security Traders Association, Inc., Atlantic City, New Jersey, Sept. 23, 1954.

A Word of Caution

At this point, it is well to utter a word of caution. It is that toll roads, *per se*, are not the panacea for the nation's highway ills. Fundamentally, the principle of sound toll road financing can be applied only in areas of traffic density . . . where the traffic demand is greater than the highway supply . . . and where traditional methods of financing normal, free highway construction are not adequate under today's increasing vehicular use. Each toll road must be the subject of comprehensive engineering studies in order to avoid the pitfalls of constructing uneconomic projects.

When it comes to traditional financing of highways, we cannot close our eyes to the fact that the sale of governmental obligations, pledging taxpayer credit, is not generally acceptable to voters. At times this method is bitterly opposed. Such financing, moreover, becomes a counterpart to the limitation on state or political sub-division debts to the extent that newly created indebtedness is, to put it mildly, unpopular.

In the construction of the New Jersey Turnpike, it is significant that independent studies made in 1949 showed:

that the free highway availability to meet the then current demands was from 20 to 25 years behind schedule;

that many of New Jersey's major arteries were carrying traffic two or three times their designed load capacities; and

that an early solution in new highway construction by normal methods was not feasible.

Just prior to March 31, 1949, when the New Jersey Turnpike Authority was organized, the three Commissioners accepted appointments from then Governor Alfred E. Driscoll to study, plan, construct and operate toll roads in our State. We were assured that this would take little of our time. In fact, some of those who urged our acceptance of the appointments hinted that it would be an empty honor as toll roads would not prove feasible in New Jersey.

We are fortunate, indeed, to have achieved, in an operating period of less than three years, the traffic and revenue volumes which the experts predicted would not be attained by the New Jersey Turnpike until 1982, or 28 years from now.

It is regrettable that we did not have this knowledge at our disposal at the time of our discussions with bankers and investors relative to our original financing. It certainly would have simplified our problems in entering the picture with the largest issue of revenue bonds dealing with a construction project which had ever faced the market. This issue, we were then told, could not be successfully handled by normal marketing methods upon the then existing traffic and revenue estimates.

Since then we have seen our success make possible the marketing of much larger issues of a similar nature and the creation of a demand for toll road revenue bonds which did not exist prior to our advent into this field.

The Origin and Developemnt of The Toll Authority

For those of you with a limited knowledge of what takes place in the conception of a toll Authority, and of the problems to be resolved before the period of financing is reached, it might be well to cite, briefly, that experience as it deals with the New Jersey Turnpike.

In 1946, when our then Governor Driscoll was first elected, he advocated that the subject of toll roads in New Jersey be explored, and that legislation be introduced if the preliminary studies indicated such a course to be desirable. This resulted finally in the enactment by the State Legislature in 1948 of the statute which created the New Jersey Turnpike Authority. On March 31, 1949, the State Senate confirmed the appointments of my colleagues and me, and we organized and were in business on the same day.

Eleven months after that date, and with a minimum staff, we had completed our initial studies, had selected the alignment of the original Turnpike, had held hearings on that alignment in the 10 counties traversed by the Turnpike, had prepared engineering, cost, and traffic and revenue studies for financing purposes, had tested the constitutionality of the Act, had secured additional legislation dealing with enlarged powers in condemnation, and had successfully negotiated a foward commitment in February, 1950, in the amount of $220 million to finance the project.

With funds in hand, we set sail on perhaps the most ambitious program ever undertaken. It involved such things as the acquisition of some 3,700 parcels of real estate for the right-of-way, interchanges and service areas; the planning and engineering of a divided, limited access highway 118 miles long; the construction of the Turnpike, and the opening of the southern section to traffic in November of 1951—only 21 months from the time that the funds were made available.

Moreover, difficulties were encountered with two municipalities in the matter of alignment, and the type of construction, both of which had to be resolved by the courts.

To expedite planning, the engineering of the Turnpike was divided into seven sections, with nationally known highway and bridge engineers assigned the duty of designing and supervising the construction of each section. These egineering firms were carefully selected and came from such widely distant points as Chicago, Harrisburg, Boston, Baltimore, New York, and Newark. Their efforts were coordinated by our Consulting Engineer and by our Chief Engineer and our own Engineering Department, and then assembled into a whole by our Executive Director and the members of the Authority.

This job, including the opening of the final section in the north which contains the two major bridges crossing the Hackensack and Passaic Rivers, took, in all, 23 months. Apropos of this record, Richard Thruelsen, a writer for the "Saturday Evening Post," in an article "How New Jersey Built

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Some SEC Problems

By RALPH H. DEMMLER*
Chairman, Securities and Exchange Commission

Chairman Demmler, in pointing out problems facing SEC in its regulation of the securities industry, stresses value of round-the-table conferences between the Commission and others interested in securities regulation. Refers to difficulties in establishing rules relating to price stabilization, and in determining what constitutes liability for return of short-swing profits realized by "insiders." Lists as matters requiring careful study: (1) need for certainty against too much rigidity; (2) need for administrative flexibility against danger of personal government; (3) danger of too much complexity; and (4) danger of excessive delays due to exhaustive analysis.

When I sat down to work on this speech I had before me the schedule of events which notes this occasion as a men's luncheon.


Ralph H. Demmler

The same schedule indicates that there is simultaneously in progress a ladies' luncheon and hat show. I am in position to make a firm representation that each of you will find both the ladies and the hats vastly more entertaining than the shop-talk in which I am going to indulge. Consequently, if any of you leave now to join your wives or sweethearts, I will take it as an indication not that you love the SEC less but that you love the ladies more.

Perhaps I should apologize for indulging in shop-talk, particularly when your Association has been gracious enough to set aside a whole afternoon for an SEC round table discussion. But your industry and our Commission have so many problems of mutual interest that we should not neglect any opportunity to discuss them with one another. It is far more than a cliche when I say that it is a great help for you and for us to understand our common problems.

Moreover, I am not indulging in platitudes when I suggest that round-the-table discussion—even discussion at which voices are occasionally raised — usually results in reducing areas of disagreement. I hope that this afternoon's meeting will achieve that result.

The year and three months during which I have been Chairman of the Commission have encompassed a very rich experience, and the richest part of that experience has been working toward solution of problems by conferences among fair minded people sitting around a table. That method has been used among the Commissioners themselves, between the Commission and the staff, between the Commission and representatives of the industry, and between the Commission and the public, organized and unorganized. For example, discussions of the Commission with Senators Capehart and Bush and with members of the staff of the Senate Banking and Currency Committee, with Congressman Wolverton of New Jersey and with members of the staff of the House Interstate and Foreign Commerce Committee, with representatives of the securities business, and with representatives of the Executive Office of the President and the Council of Economic Advisers resulted in the formulation of legislation which was approved unanimously by both Houses of the Congress and signed into law by the President.

*An address by Mr. Demmler at the 21st Annual Convention of the National Security Traders Association, Atlantic City, New Jersey Sept. 25, 1954.

Working for the Same Goal

Figuratively speaking, each of us is working toward the same general goal, namely, that of making the American system of free enterprise work. Naturally, the regulator and the regulated are going to have their battles occasionally, just as the credit department and the sales department of a mercantile business have their disagreements. But most personal disagreements are resolved without fisticuffs and most legal disagreements are resolved without law suits or punishment. The reason for that is that intelligent human beings, when possessed of a normal amount of good will, have learned to reach mutual understanding on most issues.

Let me therefore make the point that at the Commission we do try hard to work out solutions by mutual agreement. I don't mean, however, that the Commissioners have dedicated themselves to a career of being agreeable good fellows. We must bear in mind constantly the fact that in dealing with organized associations of the securities business or any other business, we must be hard bargainers. In such dealings we are, after all, the representatives of the otherwise unrepresented public. Each of us is under a sworn duty to administer a group of laws which are both strict and technical. Moreover, we are vested by the law with the power and duty in many situations to prescribe such rules and regulations as are required in the public interest and for the protection of investors.

Just stop and think about that responsibility for a moment. The rules which the Commission makes have the force of law, and the only guide furnished to the Commission by the Congress is "the public interest and the protection of investors." That represents a broad charter of power and a serious responsibility. Consequently when the Commission on its own motion proposes a rule change or when it considers a suggestion for such a change made by representatives of the business community, each Commissioner must employ all the resources of his intellect and his conscience in answering the question: "Is it in the public interest and for the protection of investors?"

When you analyze this legislative power delegated to the Commission and realize that each time we make a rule we are in effect passing a law, you will understand why proposals for rule changes are processed with a degree of deliberation which may well irritate the sponsors of the proposal.

You gentlemen in your day-to-day work are more concerned with the Securities Exchange Act than with any of the other Acts administered by the Commission. Therefore, I would like to indicate by way of example a few problems, particularly those involving Commission-made rules, which concern us—and therefore you—under that Act.

Duties of the SEC

As you know, the Commission is charged not only with the duty of enforcing statutory prohibitions against manipulations and fraud but is also empowered to make rules and regulations with respect to manipulative and deceptive devises and stabilization or price pegging. In addition to that it has certain jurisdiction over rules of the several exchanges and of the National Association of Securities Dealers, Inc. It has power under Section 16(b) of the Exchange Act to make rules exempting certain transactions from liability imposed on insiders for short-swing profits.

You can see from that limited list of subjects that the Commission is given a job the wise performance of which cannot necessarily be taken for granted. There will always be some element of trial and error.

The market place for securities, like all market places, is one in which trading instincts are sharpened and ingenuity is developed and rewarded. In regulating the market place we are dealing with innumerable variables. Consequently legislation and regulation standing by themselves can never provide a wholly clean market place. Put another way, regulatory legislation is no substitute for self-control.

The securities laws and the regulations made thereunder, plus the rules of the exchanges and of the NASD, can provide guide posts. They can have the effect of discouraging cupidity and they can have the effect of encouraging each man to be fair because his competitor is subject to the same rules as he is.

To the extent that regulation and self-control may fail to maintain a clean market place, both the industry and the Commission suffer. The Commission would receive some public opprobrium, and the industry would receive that, plus a regulatory system more severe than that which now prevails.

The whole scheme of vesting in the Commission the power to make rules and regulations had its origin in the undeniable fact that it is almost impossible without an oppressive amount of rigidity for the Congress to frame an act prescribing detailed rules for a market place. The Commission, therefore, is under a mandate to move with changing trends and new problems and to keep its rules constantly abreast of developments. To illustrate the kind of problems we encounter in meeting that responsibility, I would like to give just a few examples.

Rules Relating to Stabilization

As you know we have circulated for comment and have had a public hearing on rules relating to stabilization. It is highly desirable that the principles governing stabilization should be publicly

Continued on page 82

Public Utilities and Area Development

By B. L. ENGLAND*
President, Atlantic City Electric Company

New Jersey utility executive, citing this year as electric utilities' diamond jubilee, reviews the electric industry's responsibility to the area it serves. Stresses importance of planning for growth that is to come, and lists special characteristics of this function as: (1) importance of service; (2) essential service, and (3) the public interest. Sees new super-highways as ushering in a period of development of new areas.

When you read the comics, and you see a light bulb over a character's head, you know that means he has an idea.

B. L. England

Did you ever stop to think why that is? It puzzles me, too. But it suggests a special responsibility that has been given to the free tax-paying electric utilities in this free America of ours. Electricity means ideas — ideas for something better and brighter. Ideas for a better town, a better area, a better state. And I am proud to say that the public utilities—**your** public utilities, directly owned by three million Americans and indirectly through participation in insurance over 90 million—are doing their best today to lend their ideas to area development.

But that's only part of the story of a better place to live. The other part of the story is you—Mr. and Mrs. American citizen. Especially you people here—you who are thought leaders — you who are so esteemed in your communities — you who are so good at reading fine print and figuring complicated problems, so quick to calculate one-eighth of a percentage point to six decimal places.

You know that this year is Light's Diamond Jubilee. The electric industry is celebrating a series of milestones in its history. These not only constitute a tribute to the accomplishments of the past but also give an indication of even greater progress in the years ahead. During these 75 years since Thomas Edison invented his incandescent lamp, electric power has become an integral part of our civilization—so much that it is difficult to imagine life without it. The extent of the growth of the industry in the past 75 years is reflected in the fact that this year, in addition to observing Light's Diamond Jubilee, the industry also acquired its 50 millionth customer and will have doubled its capacity to serve these customers since the end of the war.

Anniversaries are legitimate occasions for satisfaction. They also give us an opportunity for self appraisal and for future planning.

The electric industry recognizes its responsibility to the area it serves. We are planning now for the growth which is certain to come. The simple reason is: Ours is a business greatly affected by population. Do you realize that in 1963 there will be 28 million more people in the United States than there are today? This means that in this 10-year period our population is going to grow as much as it did in the 20-year period between 1930 and 1950. There will be a new army of consumers, not just for electric service but for food, housing, clothing, furniture, schools, etc., equivalent to the total number of people who lived in New York, Pennsylvania and New Jersey combined in 1950.

A shorter look at population growth. In the next **four** years the population increase will be greater than the total population of the New England states in 1950.

If we plan properly now and sell smartly, can we have a depression with all these new buyers? I don't think so.

The electric utility recognizes its responsibility to the community, as I said. There is a standard of measurement in our industry of utility management. Three of the special characteristics of measurement on this function are:

Importance of Service—Service to customers is of paramount importance and frequently will outweigh the price factor in determining customer attitudes.

Essential Service — A utility must supply all customers who wish to purchase its service and it must remain in its service area. It cannot pack up and leave if conditions are not satisfactory—it must help to improve them.

Public Interest—The fact that a utility operates in the public interest must be given primary consideration in management actions. Management has a duty toward the entire environment where the company serves. There are three areas of responsibility:

(1) Area of Government.

(2) General welfare—the area of educational, health, cultural, spiritual, and social needs of the community.

(3) Area of physical characteristics — the development of the area.

Area Development

Area development has many aspects. The greatest is not electricity, it is transportation. This is so true in southern New Jersey where I've had the responsibility with others in our company to apply leadership in development. Transportation: The efficiency with which we carry people and products across the waters, the countryside, the cities—this is a critical factor in the formula for success of your town or mine, this area, that state, or indeed, this great land of ours.

Perhaps we Americans are displaying our recognition of this great truth again as we swing back into the turnpike trend. The toll highways of today are good securities on the market because they fill a public need — they speed people and products across the miles, over and under the crossroads, through mountains and past congestion which slows down commerce.

I believe today we are in a period of development of new areas of our country by new super-highways which will exceed the growth caused by the railroad era.

The United States is experiencing now one of the most feverish transportation booms in its history. Almost everyone today sees this construction as the answer to the nation's pressing highway problems. There are over 1,000 miles of these pay-as-you-go roads now being built at a cost of $1½ billion and almost 1,000 miles now in operation. The Commerce Department's study of the potential of toll roads indicates that 10,000 miles of urban roads are suitable for this type of development—cost about $8 billion. This would bring the total toll highways up to 12,000 miles — cost estimated at $10 billion and they would carry well over ½ the total traffic on the rural sections of our interstate system.

This is significant, I believe, in that, with a toll of from 1 to 1½¢ a mile, equivalent to a gasoline tax of 15 to 22¢ a gallon, the driver is willing to use these facilities. This is interpreted that the motorist is willing to pay a premium price for a modern, safe road if it is where and when he wants it.

With this as a setting, I am privileged to be invited before you to illustrate the point. If you like, I shall illustrate it with Kodachrome slides — and typical of the generous way we like to do things in southern New Jersey, I shall give you, not just one slide after another, but two at a time.

That may remind you of the time Emily Post was at a dinner just like this one. She was searching for a handkerchief in the top of her evening gown. After she had no success fumbling there, a would-be-gentleman next to her whispered that there was one in her other hand. Distractedly the lady made one more plunge into her gown and said aloud, "I know I had two when I came."

So we shall have slides, two-at-time.

The first two take us way back to remind us that the very history of our area here in southern New Jersey is the history of its transportation. **Your** home state too.

This old map on your right shows that in 1777 people were water-conscious. The harbors and channels are shown — not much overland transportation.

The other slide shows **why** overland travel was tortuous. How would **you** like to go back home from this convention in a stage coach like this, over crude dirst roads and paths? Forty bumpy miles a day!

We did have our first turnpikes then, however. And I know an old man who lives in an old gate-house on an old turnpike. He claims he still has the legal right today to put a gate across the road and charge you a toll to pass by.

But we had a dozen seaports and deep rivers. The area flourished because it was on the coast and was settled so early. Shipbuilding became a big industry here, and then iron forges and farming and textiles — so the Colonists would have things to trade with the rest of the world over the ocean lanes.

Well, the next big era was that of the railroads. This map of a hundred years later shows why development of this area moved ahead at that time. Railroad men practically founded Atlantic City, and here [demonstrating] is the first train to come to Atlantic City from Camden.

Today this nice little corner of America—which is only 60 miles across and 60 miles up and down —has a network of 400 miles of railroads. And what an asset **this** is as southern New Jersey gears up for its greatest advancement in industrial development.

We are so proud of our railroad re-awakening here, I must show you a shot or two of the equipment with which the Jersey Central and Pennsylvania-Reading are streamlining their serv-

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*An address by Mr. England before the National Security Traders Association, Atlantic City, N. J., Sept. 23, 1954.

A Reappraisal of the Stock Market Outlook

By ANTHONY GAUBIS
Investment Counselor, New York City

Mr. Gaubis lists bearish factors in market picture as follows: (1) Current price-earnings ratios well above those of recent years; (2) historically high level of averages; (3) satisfaction of postwar demands, with increased competition and reduced profits; (4) potential deflation of European economies, and (5) possible Republican defeat in November. As bullish considerations he cites: (1) Historical price-earnings peaks suggesting possibility of 450 for D-J Average; (2) permanent inflations of price level; (3) lower dividend yields in past; (4) volume factors and divergence between low-priced stocks and blue chips; (5) historical interaction between monetary policies and markets as cyclical turning points, and (6) long-term growth in institutional and other demand for equities. Concludes that, subject to intermediate reactions, current bull market will run until summer of 1955 or first quarter of 1956, with three-million share days and public confidence as of 1928-29.

During the past 13 months, we have had another demonstration of the risks in emphasizing any one or two facets of the many-sided problem of appraising the outlook for the stock market. In the Summer and Fall of 1953, when the Dow-Jones Industrials were on the verge of an almost perpendicular advance of more than 100 points, there was a widespread spirit of caution and pessimism as to the outlook for stock prices among business economists on the one hand, and Dow Theory technicians on the other. One group was ignoring virtually everything but the fact that a minor business readjustment was conceded to be inevitable, while the Dow Theorists generally paid no attention to the fact that their approach had been proved more misleading than helpful for more than 15 years.

Anthony Gaubis

The tendency to emphasize a single approach is, of course, a common human error. In the Spring and Summer of 1929, many people felt (and acted on the conclusion) that nothing mattered except the fact that institutional investors had helped to bring about a scarcity of stocks, and that we were in a "new era" from a business cycle standpoint. In the 1933-1934 period, the socialistic overtones of the New Deal program were being emphasized as the only thing that mattered, and they supposedly would preclude any sizable advance in stock prices. (An advance of more than 100% was witnessed by March, 1937.) By early in the latter year, just when the market was getting set for the second largest bear market on record, the popular cliche was the statement that "We have never had a bear market when interest rates were low." We ourselves were guilty of overemphasizing certain Timing cycles in early 1950, when the 1949-1951 advance for the majority of stocks was only about one-half over.

"Beware of the Obvious"

We have reviewed the above record only because it has a bearing on the outlook at this time. History tends to repeat itself in general outlines even if not in detail, and we can only learn by studying history and analyzing our own mistakes. The lessons we can learn from the above examples of mass errors are, first of all, to "Beware of the obvious." It is for this reason, of course, that the "contrary opinion" approach is right so very often—and also why it can occasionally be very wrong.

During the past few months, we have sensed a growth in the membership of the school which seems to believe that the intermediate trend of the stock market can and is being controlled or dominated by political considerations. The reasoning is that the mid-1953 reversal of the Administration's indicated deflationary monetary policies, as well as the timing of the placement of orders for defense materials, were all motivated by a desire to try to keep control of Congress in the forthcoming mid-term elections. This theory leads to the conclusion that the stock market trend will be upward until around the November elections, but that a major market decline might well be expected thereafter, as temporary stimulants are withdrawn, and in order to lay the groundwork for a rising stock market during the very important election year of 1956.

Limitations of space preclude a full discussion of the dangerous and unproved assumptions behind this type of reasoning. It might be well to recall that similar arguments were quite prevalent in early 1946, when many basic unfavorable factors such as yields and price-earnings ratios were being ignored partly because it was obvious that there was a substantial pent-up demand for goods; but also because of the widespread feeling that "The Truman Administration will see to it that the stock market holds up until the November elections!"

The Bearish Factors

If we try to look at both sides of the market picture at this time, we believe that most people will agree that the principal bearish factors are these:

(1) At the September high of 365 for the Dow-Jones Industrials, this Average was equal to about 13.5 times the indicated earnings for both 1953 and 1954. The current yield was approximately 4.5%. This is well above the high price-earnings ratios of the past seven years, when stocks met resistance, on the average, at about 10 times earnings, and on a yield basis of roughly 5.5% to 6.0%. "With income taxes so high, many investors prefer tax exempt bonds to stocks yielding less than 5%."

(2) Trend lines drawn through the bull market highs touched since 1900 and excluding only the 1927-1930 period, suggest that stocks are definitely in dangerous territory with the Dow-Jones Industrials above 350.

(3) With postwar pent-up demands largely satisfied, competition is increasing with the result that profit margins are shrinking. This trend has been obscured to some extent during 1954, with the ending of excess-profits taxes, but may show up more clearly in 1955.

(4) The European economies are being artificially supported by our very large foreign expenditures which, if continued, must inevitably adversely affect our own standard of living; and when discontinued, will result in tremendous pressures in world markets as European economies are deflated and their surplus goods enter into competition with our own productive capacity.

(5) Loss of control of Congress by the Republicans in November could lead to a blocking of further moves by the Administration in the direction of a more favorable business climate. This in turn might reverse the trend in confidence which has brought about the improvement in price-earnings relationships of the past 12 months.

Bullish Considerations

Turning to the bullish side, we believe that the most important considerations are these:

(1) The gradual but pronounced revival of confidence in the future of the American economy since the election of a Republican President is being bolstered by the evidence that the Democrats have found it necessary to give more weight to the views of the conservative wing of that party. This could mean a return to the 1927-1939 levels of stock prices in relation to earnings. During this 13 year period, the Dow-Jones Industrials sold at highs of 17 **or more** times earnings at sometime during each year. A high of 17 times the current level of earnings for this group of stocks would mean a price objective of above 450 for the Dow-Jones Industrial Average.

(2) In contrast with the periods following the World War I and the previous postwar inflations — **(which were financed largely by private and therefore temporary borrowing)**—we now appear to be on a permanently inflated price level. This conclusion is supported by the indications that we will not see any substantial reductions in our tremendous national debt in the foreseeable future. (Our national debt is now more than 10 times the peak of the World War I period, and is still rising. It was cut back in almost every year during the 11 years immediately following the "war to end all wars!")

This means that sooner or later, aggregate corporate sales and profits, and therefore stock prices, are likely to establish a new "normal" which reflects the increased general price level. **In terms of the indicated new value of the dollar, the Dow-Jones Industrials would have to advance to above 500 to be as vulnerable from a technical standpoint as they were**

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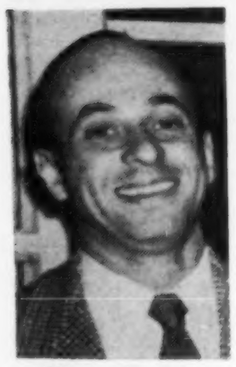
The Corporate Bond Market and Arbitrage

By MORTIMER J. GARTMAN*

Partner, Gartman, Rose & Co., New York City
Members, New York Stock Exchange

Mr. Gartman describes arbitrage transactions relating to convertible bonds and bonds issued under reorganization plans. Takes up the problem of pricing of corporate bonds and fixing of the conversion ratio. Outlines facts in the success of a bond offering, and points out that arbitrage in the convertible corporate bond market only has an effect when common stocks are high. Concludes conversion privilege is prone to be over-valued, and the opportunity of gain is often not enough to justify the premium paid.

In its narrowest sense, arbitrage simply means the purchase of a security or commodity, or even money itself in one geographical area and the simultaneous sale in another locale at a profit. Arbitrage of this type in the corporate bond field is largely academic because the primary market for a bond is usually in the city of original issue and interest does not spread outside that area. However, in stocks there is active arbitraging between foreign countries and the United States.



M. J. Gartman

As applied to corporate bonds, arbitrage may be divided into three broad categories; firstly, as to convertible issues, secondly, under plans of reorganization, and thirdly, in hedging and switching transactions.

Under the first classification, a convertible bond differs from the regular corporate issue in that it is generally unsecured and is exchangeable usually for the common stock of the company at a set price which may be scaled upwards after specific periods of time. The other features are generally the same as a straight non-convertible issue.

The arbitrage operation is the sale of the common stock and the simultaneous purchase of the bond which is or is expected to be exchangeable for the stock sold. The security sold may be issued and outstanding or it may be traded on what is known as a "when, as and if" basis, which means that under a proposed plan of issuance or reorganization, the security is contemplated to be issued at some future date. We ordinarily find this latter situation when convertible corporate bonds are issued to stockholders via a subscription privilege. We also find this type trading in the field of reorganization of issues.

*A lecture by Mr. Gartman at the Fourth Annual Forum on Finance for Graduate Students and Instructors in American Colleges and Universities sponsored by the Joint Committee on Education representing The American Securities Business at Graduate School of Business Administration of New York University, New York City.

Convertible Bond Offerings

Convertible bonds are sold in one of three manners, other than those issued under reorganization proceedings; directly by the corporation to purchasers, through underwriting groups to investors, or via subscription privilege given usually to the equity owners of the corporation. The latter form of offering may or may not be underwritten.

Pricing of Corporate Bonds

You are familiar I know with how corporate bonds are priced marketwise, based upon credit standing of the obligor, the coupon rate, the maturity date and yields available on comparable issues. Convertible bonds have another price determinant, namely, the terms of the conversion privilege. For example, if the common stock of a corporation is selling at 105 and the bond is convertible into stock at 100 and the investment value of the bond is 100, you can see that the conversion privilege is worth a minimum of five points at the time of issuance.

A specific example of pricing is an issue brought out in June of this year, Vanadium Corporation of America $3\frac{1}{8}$s. They were unsecured debenture bonds offered at 100% of principal, convertible into common stock at $65 per share. At the time of offering, the stock was selling at 58, so arithmetically there was no value to the conversion privilege, but there was a real value given marketwise, even though the stock was selling below the conversion price. The bonds were rated B-1 by Standard and Poor's, which meant they should have yielded about $3\frac{3}{8}$% at the time of offering. Yet the corporation was able to put a $3\frac{1}{8}$% coupon on the bond, due to the conversion privilege. The issue was an immediate success and traded at 104.

There are a number of reasons for that reception. It was a small issue and a new piece of merchandise for the "Wall Street Fraternity" to retail. An even more important factor was that Vanadium common stock has always been highly volatile. At the same time, the corporation was sharing in the romance surrounding all securities connected with the atomic energy field. All these dynamic characteristics gave a market consideration to the conversion privilege, even though at the time it had no immediate value.

I mentioned the sale of convertibles through the medium of rights. Usually that is the general form because the indenture provisions of the average corporation provide that if there be possible stock dilution, the common should receive prior subscription privileges. A bond convertible into common stock could cause such dilution. Usually rights have immediate value at the time of issuance. Arbitrage takes place at that moment, and the effect marketwise is varied, depending upon the bond market and stock market conditions existent at the time. If a rightholder wishes to subscribe to his portion of bonds, naturally it has no effect on the market. Those who wish to dispose of their rights do have a direct effect on the price of the bonds. The rights are bought either by old stockholders who wish to increase their commitment, by new investors, or by arbitrageurs, or a combination of all three.

Factors in Success of an Offering

The success of the offering is dependent upon a number of factors. The amount of credit available to take up a new issue of any substantial proportion is of paramount import. This credit is available in two forms, either borrowing from banks or through a special Federal Reserve proviso wherein a rightholder need put up only 25% of his subscription price.

Times naturally change and each day may present a different set of circumstances. For example, in 1953, when the administration policy of the government was to tighten credit, and interest rates were on the way up, there were two large issues of bonds offered with prior rights to stockholders, Phillips Petroleum and Southern Natural gas. Trading started at 105 in each instance, and by the time the rights expired the bonds were down to 100 and the rights lost their entire value. The underwriters had to take up their proportion of a large amount of unsubscribed bonds, but were fortunate in being able to dispose of them immediately after the subscription books were closed.

At the present time, the situation is rather much the reverse. Credit is very easy, bond yields are down, and every convertible issue meets an immediate enthusiastic response, as is the case in all "bull" markets. A current example may be the Grand Union convertible bonds which are $3\frac{1}{2}$s being offered at 100 to common stockholders. As to investment value, the bond is probably worth not much more than 102 and yet sells at 111. They are convertible into stock at $45 per share, presently selling at 41. The reason for this premium is that the entire chain store industry and Grand Union in particular has experienced a tremendous growth in past years. Securities in this group have gone up substantially and the investor apparently is willing to pay this nine point premium over investment value for a call on stock at 45, which is still 10% above the present market price. So in effect, in addition to paying a premium above investment value, the purchaser must see the stock advance a minimum of 10% before the conversion feature would have value.

Bonds Under Arbitrage Pressure

I have pointed out two bonds that have sold at premiums over conversion value. I might mention a series of bonds that have never sold subtantially above such conversion feature, namely, American Telephone & Telegraph bonds. The reason—since the last war the Telephone company has issued approximately $2\frac{1}{2}$ billion principal amount of convertible bonds. The conversion price is always under the market, but due to the large amount of bonds continuously being floated, they always sold on conversion parity. By conversion parity I mean that if the bonds were convertible into stock at 140, and the stock was selling at 160, the bonds had a 20 point conversion value, and traded at that price, namely, 120.

Since the last war, earnings were up about 200%, but we have had such severe common stock dilution in the form of an increase in the number of shares outstanding since the end of the war from about 20 million shares to 47 million shares at the present time. The effect was that earnings per share stayed in the $10 to $12 range. With this dilution the stock had no dynamic character and investors would not pay a premium for the conversion privilege. While the stock has been continuously under arbitrage pressure due to bond conversions, it has nevertheless risen from about $150 to $175 per share in the past few years. This price increment has

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Universal Convertibility—Not Now, But Some Day

By MELCHOIR PALYI

Dr. Palyi, in pointing out confidence as a factor in restoring currency convertibility, cites case of Austrian currency, now on a convertibility basis. Says convertibility means three things: (1) external or non-resident convertibility; (2) right to export capital, and (3) favorable and safe balance of payments. Holds American aid, a factor in European recovery, may be withdrawn, and sees Britain's reluctance to convertibility restoration holding back action of other countries. Concludes, however, in the long run, universal convertibility will have to be restored.


Dr. Melchior Palyi

Today, Europe's best currency—other than the "pure gold" Swiss franc—is the schilling of Austria, the money of the poorest and industrially most backward country north of the Alps. Only two years ago, it was in the financial doldrums; once again, its currency was devalued. By that time, all American aid to Austria stopped; and she receives no military aid of any sort. Instead, she is forced, in effect, to export capital to the tune of some $120 million, which is what the Russian occupation forces still are taking out of her balance of payments. Yet, on the free market in Zurich, the Austrian schilling is quoted at or above par. There is less of it blocked than of any other European currency. And the country's balance of payment is not only in equilibrium; the central bank actually keeps gaining more gold and dollars than can be explained even by the remarkable surplus in the country's foreign trade (including tourist traffic).

What has happened was that confidence returned to the schilling. The Austrians take their flight money back home, which is what brings excess foreign exchange into the country (and creates, incidentally, a liquidity problem of the first order). Confidence was restored because monetary manipulations had ceased; the budget was balanced; the interest rate had been substantially raised—temporarily to 6½%; wages and farm prices had been stabilized; foreign trade restrictions relaxed. In short, putting an end to inflation and restoring a good measure of international competition sufficed to re-establish confidence in a currency that had been reduced to a small fraction of its former likeness, and in a country on the borderline of Western civilization.

* * *

How much easier it should be to restore full confidence in currencies like the German mark, the Belgian franc, the Dutch guilder, and especially, the British pound! In each of those cases, return to convertibility—which is what Austria did, in effect—would bring about a major inflow of capital and provide additional foreign exchange reserves for future emergencies. (In fact, the Bank of England's discount rate was lowered to 3% last summer for the express purpose of slowing down the influx of "switch" pounds.) But at the late September meeting of the International Monetary Fund, all hopes were squashed: there is no prospect of the leading European currencies' return to convertibility, even to a partial one, in the foreseeable future.

Britain has vetoed it, notwithstanding the American offer of a huge support fund, and even though Germany and the Low Countries were ready to proceed. But the British veto had the consent of the French—whose fiscal deficit promises to reach 1,000 billion francs (whatever that is) next year—of the Italians and the Scandinavians.

The Meaning of Convertibility

Leaving aside all technicalities, convertibility means three things. In the first place, it means what is called external or non-resident convertibility: the right of the Swede who sold pulp to Britain to use the pound sterling proceeds for buying American machines. At least that much of convertibility was expected, but even that concession did not materialize.

Secondly, it means the right to export capital. The danger is, as the British see it, that Wall Street would again attract quite a little of their private investments; and especially, that in case of any temporary emergency a great deal of capital flight might occur. Note that the French have lived with legalized capital flight during the postwar era. The parallel market in gold and dollars permitted a Frenchman to run into safety at his choice. If the lesson taught anything, it is this: that capital flight is not a genuine force determining the balance of payments, but merely a consequence of other circumstances—of inflation, in particular. Stop inflation, and there is no capital flight.

But the most important worry to some Europeans is their balance of trade. What if the terms of trade should turn against them? Or if an American depression, that undying bugaboo, should break out? Their gold and dollar reserves soon might be exhausted; $3 billion for the entire Sterling Area, in particular, are too narrow for a safety margin. Of course, nothing is certain about the future, and if absolute safety of the currency reserves is the condition under which convertibility can be established, it may as well never be established.

The discussion about convertibility tends to overlook the essential point, which is that it implies stabilization: no more overhanging devaluation. That is what permits the return of confidence and reversal of capital flight, while under inconvertibility, parts of the respective currency depreciate, thus creating the menace that the entire currency sooner or later will be devalued. Moreover, it implies adjustment in international trade and natural corrections in the balance of payments. Lastly, it reopens the channels of genuine foreign investments, thus attracting fresh capital from abroad.

The Factor of American Aid

However, uncertainty there is, and of a very basic nature. Though it is rarely admitted, the last two years' recovery of the European currencies was to no small extent due to continued American aid in one form or another. Our global aid must be running into $8-$9 billion annually, if all the hidden and invisible ends of it are counted. And aid to non-European countries often turns out to be "offshore" aid to the Europeans. In other words, American aid is the marginal factor on which the strength or weakness of a large number of currencies depends at present.

But as of late, this artificial pillar of international trade has become subject to doubt. If no German army materializes, as it well may not, American assistance to Europe will fall off sharply. And there are other international uncertainties. An "agonizing reappraisal" of our commitments in the West — or an acute sharpening of the conflict in the Far East—may lead to a wave of fresh capital flight from Europe. True, convertibility could be stopped overnight, and the risk of major capital attrition is negligible. But governments do not like to reverse themselves and be exposed to criticism on the score of not having foreseen the unforeseeable. Which brings us to the aspect of the European convertibility issue that is most important: the domestic political aspects involved.

To Europe, convertibility is a political issue of the first magnitude. For one thing, no European country would want to antagonize Britain by proceeding without her consent. In that respect, as a common front against America, Europe has acquired a unity which is worthy of better purposes. As to Britain herself, the problem there is the precarious majority of the Conservatives and the fact that within a year or so, general elections will be coming up. As it is, Labor is thoroughly opposed to convertibility and threatens to annul it if it comes in power. Should the introduction of pound convertibility be accompanied by any reversal in employment and in prosperity, the repercussions may be too costly to the Conservatives.

There is the rub: re-introduction of convertibility is not without painful consequences. Under the protective umbrella of exchange restrictions and import strangulations, entire industries have grown up in the respective countries. The ultimate meaning of convertibility is that these hot-house industries either have to be liquidated, or must reduce their costs drastically. That is where the resistance against monetary freedom centers. Foreign exchange controls are, in effect, nothing but gigantic tariffs which not only reduce imports, but actually prevent them. The vested interests fostered for two decades

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Looking Ahead in the Chemical Industry

By HARRY S. FERGUSON*
Vice-President, Allied Chemical & Dye Corporation

Prominent industry executive, using 1914 as the year of birth of the domestic chemical industry, recounts its phenomenal growth since that time and points out excellent prospects for continued expansion. Says value of chemical and allied products has increased from less than $2 billion in 1914 to more than $20 billion today. Illustrating growth ahead, Mr. Ferguson refers to estimates that 40% of all textiles will be synthetically produced by 1975, with plastics slated for 800% increase. Holds 400% over-all increase of chemical products by 1975, as envisaged by President's Materials Policy Commission, does not appear unreasonable and may well prove to be conservative in light of current research efforts.

This is the 40th anniversary of the Associated Industries of New York State, Inc. In a very real sense it is a 40th anniversary for my industry, too, as 1914 is a date that might be said to mark the beginnings of a significant chemical industry in this country. Forty is sometimes thought of as "middle age"—but I hope to prove in this short talk that, 40 or not, there is nothing middle-aged about our business.

Harry S. Ferguson

It is a fact, however, that we didn't amount to much in 1914, except for production of alkalies and a few other heavy inorganic chemicals which had made considerable gains since 1900. A handful of business men and scientists who were then trying to get established in the organic chemicals field, were making little headway against aggressive German interests that dominated world markets.

Part of that handful, in fact, was the Benzol Products Company, one of our predecessor companies, formed to manufacture coal-tar intermediates. And 1914 was a major milestone for this young company, too. A year earlier, Benzol had produced aniline, the first American-made intermediate, with the aim of creating a dyestuff industry in this country. But before it could get firmly established, the Germans reduced the price of aniline below their own cost, forcing Benzol also to operate at a loss, or quit. Fortunately, the company persevered even in the face of heavy losses month after month, and when the war cut off German competition, Benzol increased its capital, built a new plant and was soon able to supply this country's entire needs of aniline oil and salts.

Even so, shortages of dyes and drugs were serious during World War I. This painful lesson, and the postwar threat of renewed German domination of the American industry, led in part to the formation of Allied Chemical in 1920. The founders, side by side with other foresighted and determined men, wanted our country to have a strong, integrated, self-sustaining chemical industry to serve peacetime needs and to provide wartime security.

I'm sure it would be presumptuous for anyone to attempt to capsule the industry's progress since then or to play the prophet—and I mean (p-r-o-p-h-e-t). He'd not only have to be an expert on agricultural chemicals, medicinal chemicals, synthetic resins and plastics, and man-made textile fibers, to name just four of the fastest-growing end product lines in the business—but on about 50 other subdivisions of the chemical industry, most of them doing at least $20 million worth of business a year and changing very rapidly.

Currently our industry is turning out some 7,000 different products a year. But, just to keep things complicated, they are not the same 7,000 that were produced a few years ago, or even last year. The research people move new ones into the market all the time, or find new application for an old one. Take sulfanilamide, the wonder drug of 1937. Research shows that it had first been made back in 1874 in connection with improving dyes, but hadn't been screened for germ-killing ability in all the intervening years. Then, too, with competition intensified by rapid growth, a single product is apt to pop-up in a great many places. Phthalic anhydride, for example, has tremendously broadened its uses, which now include the production of linoleum, pharmaceuticals, paints, plastics and dyes as well as a score of other chemicals. Almost every chemical company has a favorite contender in the big industrial markets. Nineteen companies, for example, are competitive in making chemicals for anti-freeze alone.

To be able to absorb all this movement, and to keep track of the scientific literature and trade trends, is more than a single mortal can manage—at least **this** single mortal. What I will attempt to do, is trace some of the main currents, taking a closer look now and then at developments which may be of special interest to you either as businessmen, as citizens or simply as human beings.

Development of Chemical Industry

There are many ways to cover the development of an industry. One is to trace it in terms of per capita consumption of some of the major products. On this basis, for example, the average person today indirectly uses four times more sulfuric acid than he did in 1914. Or we can show that the value of chemicals and allied products has risen from slightly less than $2 billion in 1914 to more than $20 billion today. We could show how industrial use of chemicals has broadened, until now every single one of the 72 industrial groups listed by the Department of Commerce is a consumer of the chemical industry's products. Or in terms of the prosperity of our own state, we can point to the fact that chemicals in New York, at the most recent count, employed 75,000 people and stood sixth in rank of value added by manufacture.

The impact of these things is not always easy to see, because most chemicals—unlike steel or oil or cotton—tend to be invisible in the finished article or are not popularly thought of as essentially chemical. A nylon bed sheet doesn't announce its chemical ancestry, nor does bacon from a pig who fattened on chemically supplemeted feeds. Because of this, it is of special importance to us in the chemical industry to show the public that progress in chemicals is intimately related to their own lives, to the satisfaction of basic human needs. It is this relationship which determines our growth—just as it determines the growth of any industry.

What has chemistry done for food, health, clothing, shelter—the primary creature requirements? What has it done about transportation and communication and other things that are nearly as fundamental to American life in the 20th century?

Chemicals and Food

Food is first, and in its production, processing and preservation, chemical products and techniques have helped work near miracles since 1914. Hand in hand with farm mechanization, today's use of chemical fertilizers, seed fumigants, insecticides, weedkillers, fungicides and feed supplements enables fewer farmers to feed an additional 66 million people, though available acreage has increased very little. The future significance of this accomplishment can reach far beyond our own borders, into areas where malnutrition is rife and men play power politics with meal tickets.

Let me give an example of how this works.

Back in 1914—at least away from the farm—chicken was a delicacy for the most part to be enjoyed by only the upper income brackets on Sunday. But last year we raised about three billion broilers and during a good part of the year chicken was the cheapest entree in the markets. Chemicals contributed in several ways. The addition to poultry mash of man-made vitamin D, formerly supplied only by sunshine, the proper us of sanitary chemicals, and the control of infectious diseases with medicinal chemicals, enabled the chicken farmer to raise his birds in confinement, thousands to the acre in multistory buildings. By enriching grains and farm wastes with synthetic amino acids and vitamins, the farmer gave his charges far more nutrition at far less cost.

But chemistry didn't stop there, though with new feeds, the birds grew furiously and in great good health. The next step was the discovery that antibiotics—just a teaspoonful of them in a **ton** of feed—would cut mortality rates 10%, boost growth rate 10%, and since the birds get maximum value out of their feed, cut down the amount needed 10%.

Someone has figured out that if all hogs and chickens were given this supplement, farmers would save about $50 million a year.

We hear a lot these days about the prospect of starvation for the world of the future because the birth rate is up to the point where each day brings into the world 70,000 more mouths to feed—and from limited acreage. With head-

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*An address by Mr. Ferguson at the Fortieth Anniversary Convention of Associated Industries of New York State, Inc., Saranac Inn, N. Y., Sept. 25, 1954.

Mexico's Changing Attitude Toward Foreign Investors

By HERBERT M. BRATTER

Mr. Bratter maintaining Mexico's recent compensatory rate increase to largest foreign domiciled privately-owned utility enterprise is highly important, cites its encouraging reception by our Government and World Bank officials, as well as company spokesmen. On question whether move goes as far as it should to make investment attractive to private Canadian, American and other foreign capital, concludes answer largely depends on Mexican public which pays the bills. Cites economic study as indicating rate structure is more important than financial promotion to electric energy industry's future.

On September 20 a special dispatch on the financial page of the "New York Times" brought word from Mexico that the authorities there had agreed to grant the Canadian-domiciled Mexican Light and Power Co. — Mexico's largest privately owned public utility enterprise — rate increases averaging 21.2%, to take effect October 1. The increase, the dispatch reported, was intended to compensate for the adverse effect on the company's earnings due to the devaluation of the peso last April.


Herbert M. Bratter

To quote from the news item:

"This is a far cry from the conditions that prevailed only a little more than a year ago, when the company was at loggerheads not only with important sections of the Government but with the powerful electricity workers union. There was considerable talk then of possible nationalization of the industry, a possibility that is scarcely even mentioned any more."

The article went on to say that both sides had contributed to the changed atmosphere and that the Mexican Government "appears to have realized that kind words about foreign capital and private enterprise would be judged mainly by action rather than by what officials said in public speeches." The company in turn has continued without interruption its expansion program, which is vital if the service is to keep pace with demand.

Since the recent annual governors meeting of the World Bank and International Monetary Fund brought together in Washington various Mexican and American officials concerned with international investment and also General Wm. H. Draper, Jr., present Chairman of the company, it seemed an opportunity to gather comments on the significance of the rate increase. Would it be fair to conclude that it signifies a real change in Mexico's attitude toward the investments of private citizens, Mexicans as well as foreigners, in public utilities and other enterprises vital to the development of that fast growing nation? Specifically, will similar treatment be accorded to other utilities in the fields of power, communications and transportation? Will "Mexlight," engaged on a large expansion program, be able to count on further upward rate adjustments if circumstances warrant? Will the company, whose common stockholders went for decades without a dividend, be able in the future to count on regular takehome dividends in their own currency — Canadian dollars?

These and other questions the writer put to various prominent persons interested in the matter, with the results reported below. It should be noted that the writer was unable to find at the Washington meetings any Canadian who felt well enough informed on the subject to offer comment.

Secretary Humphrey's Speech

Addressing the IBRD's panel on foreign investments in Washington on Sept. 28 Secretary of the Treasury Humphrey offered some observations which form a background for the Mexican policy discussed in this review. Private investment is not made for philanthropic reasons, he stated, but for profit that is freely available to the investor on principal that is safe. He referred to the effect on foreign investors of nationalistic trends and discrimination jeopardizing the principal or slowing down the income of investors. "The old saying that 'actions speak louder than words' was never more apt," he added.


George M. Humphrey

"No country can reasonably hope to attract foreign investors if its own savings are seeking shelter abroad. . . . What are the policies which attract private capital from abroad? I think they can best be summed up in a simple way: security and the right of ready repatriation of principal and attractive return," he continued. There must be fair dealing by the host country and assurance that, once the undertaking has been successfully launched, the government concerned "will not go back on their bargain and through direct action or ruse or sharp practice of any kind seek to enlarge their fair share of the original basis on which the joint enterprise was begun."

Eugene Black Quotes a Mexican

Mr. Eugene Black, the World Bank's President, in the course of his opening address to the Board of Governors at Washington on Sept. 25 gave a rather dramatic example of what electric power development is doing for backward areas. After discussing the wide range of changes in various distant lands wrought by IBRD loans, Mr. Black continued:


Eugene R. Black

"Let me give you one illustration of what I am taking about. It concerns one of our loans to the Federal Electricity Commission in Mexico—and the installation of a small diesel power plant of only 600 kilowatts generating capacity. We financed the installation of this plant in the rural town of Tecuala, in Mexico's west coast area. In three years' time, here are some of the results: Industrial users of electricity in Tecuala have risen from just three to 33; the town has acquired a public library, a daily newspaper, a radio station, and a night school; Tecuala's population has trebled, and the number of students in its schools has increased seven times. The municipal hospital has installed refrigerators and a modern fluoroscope — the only one within a radius of 60 miles. The mayor of the town recently said: 'I have witnessed our emergence from the dark ages into an age of light.'"

General Edgerton Comments

In view of the Export-Import Bank's long and considerable relations with Mexican development the comments of its present managing director, General Glen E. Edgerton, are pertinent. Of the rate increase granted Mexlight in September he informed the "Chronicle":

"This creditable action constitutes further evidence of the intent of the Mexican authorities to accord equitable treatment to private capital and it will encourage foreign investors to make additional investments in that great country."

Views of Sr. Martinez-Ostos of Nacional Financiera

Nacional Financiera is Mexico's official industrial-development bank with a large voice in power development. Nacional Financiera in 1953 agreed to lend Mexlight 175,000,000 pesos for construction and distribution works. A further loan is under consideration.


Raul Martinez-Ostos

Mr. Martinez-Ostos, Vice-President of Nacional Financiera, therefore is one whose statements concerning the recent rate action merit attention. Moreover, Mr. Martinez-Ostos is at the same time a member of the official Investment Committee established to study and coordinate public investment in Mexico, and of a special Government Committee of three appointed to study the electric power needs of Mexico and how those needs should be financed. He explained that he could speak only in his personal capacity and his views do not necessarily reflect those of his colleagues in Mexico. Our questions to Sr. Martinez-Ostos and his replies were as follows:

(Q) **What do you deem to be the main significance of the recent rate increase for the Mexican Light and Power Co. as it bears on the availability of additional foreign capital for further Mexican development?**

(A) "The recent devaluation has increased costs in Mexico. To Mexican Light and Power it means also a reduction in earnings in terms of foreign exchange. The increase in rates has been for the purpose of maintaining the previous rate of earnings, that

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We Must Abolish Exchange Controls

By PROF. DR. LUDWIG ERHARD*

Minister of Economics, Germany

Germany's economic chief maintains that in many countries basic conditions for convertibility exist now, and the goal will never be achieved if the transition is postponed until every conceivable ideal condition in all countries is attained. Declares hesitation must entail destruction of the economic bases of the national economies of the countries concerned.

Prof. Ludwig Erhard

Recently, many countries have made progress in developing their production, intensifying their international commerce and in raising the standard of living of their populations. Above all, in the past, many countries have succeeded in returning increasingly to more liberal forms of international trade and payments relations by applying the principles of a strict monetary and financial policy. At the same time, capital formation and the resources of the securities markets in these countries have increased—even at interest rates which are showing a more or less distinctly downward trend. Moreover, in some countries, a tendency to export private capital has recently become apparent — a trend which cannot fully develop for various reasons, not the least of which is the inadequate system of international payments.

I should like to express my great pleasure at this gratifying development — not primarily because the Federal Republic has had a part in it, but because it is my economic philosophy that it is good for every country when its neighbors, near and far, are prosperous and soundly established.

Recent years, however, have brought to other countries, whose representatives are present here, a less satisfying development. The decline in the prices of raw materials since 1951 has created certain balance of payments and investments problems for some raw material producing regions.

Real Cooperation Needed

In this situation, more than ever, real cooperation is important, and cooperation promises good results. I have studied with great interest the excellent report of the World Bank, which, in a very impressive way, renders an account of its work in the past year. In reading the report I became vividly aware of how unique this institution is, whose funds, jointly contributed by many countries, flow into all continents and stimulate the growth of the economies of so many countries. I believe that here is an example of the application of the principles of free enterprise and international solidarity without precedent.

However, we should give some thought to how even better results can be achieved. It has been said repeatedly that the Bank's loans strengthen private capital investment, but that they cannot be a substitute for it. It is of the utmost importance to set in motion again the flow of private capital now that conditions have improved in at least a few countries.

But the foundations must be laid on both sides, by the potential lender and by the potential borrower. International capital movements can only be achieved on the basis of confidence and a workable system of international payments. A lot will still have to be done until it can be claimed that this basis is really established. Both of them are lacking. Inflationary methods of financing, inappropriate exchange rates and exchange controls are, to be sure, enticing instruments, but they are also more effective than anything else in isolating a country economically from the assistance and the stimulus of the countries around it.

Doubtless not all member countries of the Bank and Fund are in a position to make their currencies convertible to the same extent or at the same rate of speed but neither can there be any doubt that in a large number of countries the basic conditions for convertibility are actually present. It is my firm conviction that as long as exchange control prevails in the free world it cannot be truly free and none of us will attain that degree of national economic efficiency which is necessary to get rid of the danger of collectivism once and for all. As long as the exchange control exists, the evil of bilateralism cannot be overcome and there will not be that wholesome pressure inherent in a system of true order, which makes for sound national economies. If we are to postpone the transition to convertibility until the ideal pattern of all conceivable conditions in all countries is achieved, we shall never attain that goal; it seems to me, on the other hand, that the conditions for it were never so favorable as at this phase of a brisk business activity throughout the world.

High Responsibility to Act

This places a high responsibility and obligation upon the countries which are ready for convertibility to proceed to the act of liberation, for their hesitation means simply an encouragement of the continuation of those questionable practices which, to the detriment of the countries themselves, destroy more and more the economic and financial bases of the national economies. Courage to achieve order and liberty has always been rewarded, and I have noticed with great satisfaction on my own travels abroad and overseas that there is nearly everywhere a vivid desire for order and free multilateral economic relations, even in some countries which still lack strength of their own. The transition of the countries which are ready for convertibility to that world-wide system of order would, I firmly believe, be so strongly attractive that I can see only in such a policy the guarantee of a truly economic integration of the nations of the free world. Such a policy would also contribute to overcoming the sins and strains of trade policy which still prevail — in fact, it would actually enforce their abolition.

Discipline Needed

Discipline in financial and credit policies is inherent in a system of free convertibility of currencies. Convertibility is also the only international payments system permitting free international capital movement, so the fact that the Annual Meeting of the Bank and Fund is held jointly has more than just superficial meaning.

In view of the steadily increasing capacity of various countries for capital export, it should be ascertained to what extent the Bank, in accordance with its purposes as described in the Articles of Agreement, will be in a position to stimulate private investment in the future by assuming guarantees.

In closing, let me say just a few words on our country's cooperation with the Bank. Naturally, it has not yet attained the intensity of the work of other countries which have had the privilege of being members of the Bank for a longer time. We are, however, striving to cooperate in the Bank's work insofar as it lies within our power to do so. The Federal Republic of Germany will, through release from its 18% quota, contribute to the lending capacity and it has already begun to release these funds. If this amount is not so large as I should like it to be, that is because the capital market in the Federal Republic is very small and in my country there is still considerable demand for domestic investment which cannot be fully satisfied. Nevertheless, we are endeavoring to support the purposes of the Bank by other means as well.

*Statement by Prof. Erhard at the discussion of the World Bank's Annual Report, Washington, Sept. 27, 1954.

NSTA Thanks to STANY

"The welcome accorded the registered members of the National Security Traders Association when they arrived in New York City

Phillip J. Clark

from their 21st Annual Convention at Atlantic City was incomparable," said Mr. Clark.

"On behalf of our members, I want to thank the Security Traders Association of New York for their generous hospitality.

"The officers and committee members are to be congratulated on the perfection of each function planned for our entertainment.

"We regretted leaving your delightful city and look forward to seeing you all again at our 22nd Annual Convention in September, 1955."

—Phillip J. Clark,
Amos C. Sudler & Co., Denver,
President of the NSTA.

NSTA Convention Dates Announced For 1955 and 1956

The National Security Traders Association has announced that the Annual Convention for 1955 will be held at Mackinac Island, Mich., Sept. 13-16.

In 1956 the Convention will be held at El Mirador, Palm Springs, Calif., in October.

The New Federal Housing Law

By NORMAN P. MASON*
Commissioner, Federal Housing Administration

Commissioner Mason, after referring to the popular outcry against "windfalls" in the housing program—which gains, he states "are out, as far as I am concerned"—holds, however, new housing legislation now offers windfall opportunities to the people who want to buy or rehabilitate homes. Explains new provisions of the recent Housing Act, and says FHA has a mandate to return to fundamentals and raise housing standards.

By this time, I'm sure that you and everyone else who reads the newspapers and the magazines and everyone who has radio and television knows that I've been living in a goldfish bowl since I went to work for the FHA last April 13.


Norman P. Mason

I want to make it clear that I'm not complaining. This is as it should be. The FHA belongs to the people and so the people should be kept informed.

* * *

New Housing Law Offers Windfalls to the People

I've been reading my dictionary and I find that a windfall is "an unexpected legacy or other gain." Quite frankly, I do not believe that the American people are yet fully aware of the legacy which has been bequeathed to them by the Housing Act of 1954.

Their's is a real windfall in the very best sense of the word—and it is not by accident. It is a windfall, a legacy, a gain which if they will take it they can keep it, too. President Eisenhower asked for that kind of program. The Congress gave it to him.

The President a few days ago cited housing as an example of the fact that this Administration has not placed the pocketbook above the heart—that his is a human Administration.

He said the housing measures enacted by the Congress . . . and the programs of this Administration which will be fought through to the finish . . . will make certain that every American family has an opportunity for a decent home, a home in a good neighborhood among good citizens.

In fact, the President pointed out, one of the greatest reasons for the housing program is to produce good citizens, to remove and eliminate those conditions that make crime and disorder rampant in certain sections.

In my job, I am concerned—just as you are in your business—with what I can do to help the man who is buying a home for his family or who is improving his present home.

* * *

He's the man who keeps our mills and factories humming, turning out not only the materials for flooring and foundations but also the furnaces and the furniture and the other items that go into our homes.

He's the man who, in making his investment in his community, has become a more substantial citizen of this country of ours.

Yes, he's really a big man. And because he is, we must think big . . . plan big . . . and act big as we serve his needs.

Thanks to President Eisenhower and the Housing Act of 1954, we now have a program which will permit us in FHA—and you in industry—to do this. We now have the tools in FHA to help more American families to be better housed.

The New Housing Legislation

In my opinion, we now have the most practical housing legislation this country has ever known. I am confident that it will stimulate record activity both in the construction of new homes and in the rehabilitation of existing homes.

It will permit you to expand your profitable markets. It will permit you to do an even better job of serving the American people than the good job you now are doing.

For the first time we have a coordinated housing law. It benefits every one of the fields of housing: New—existing—urban—suburban — rural — property improvement through open - end mortgages, as well as under the modernization program.

A whole new reservoir of potential home owners has been tapped by the lower down payment requirements. The minimum down payment on a $12,000 home, for example, now is $1,200 —just half what it was under the previous legislation.

The law puts fresh emphasis upon quality. The required down payment for a $17,000 home today is only $50 more than the down payment formerly required for a $12,000 home. Furthermore, the limits on the amounts of mortgages for individual homes have been increased — from $16,000 to $20,000. These changes will help our families to have better homes.

The period for paying back the loan has been extended to 30 years. This means the buyer's monthly payments will be smaller.

FHA has been given new authority to insure mortgages on lower cost homes to help those whose needs are greatest. Under the old low-cost home program, the maximum mortgage was $5,700. Now it is $6,650.

I want to digress for a moment here to tell you about a housing tour I made just a few days ago in one of our western cities. I was being shown a development of houses in the $20,000 class, all brand new. They were nice homes and yet I could not help but observe that they were so close to each other that the kitchen of one was practically in the living room of the one next to it. And yet they were in a neighborhood bordering upon the wide open spaces for which the West is famous.

Adjoining the new development was another group of older and more modest homes. The pride of ownership in the older development was very evident. All of the homes were well kept and all were well landscaped. There were flowers in bloom. The lawns were spacious and beautiful.

I thought to myself that the owners of the new homes might have reason to be envious of their neighbors — people who showed through their own efforts how much they loved their homes and who as a result had built added value into the homes.

The new Act will continue the existing Federal secondary market facility for home mortgages, with certain changes, and establishes a new voluntary home mortgage credit program. Now the average citizen who wants to borrow money for a home from his local lender will be much more likely to get it. This will channel money into the small communities. It will make more mortgage money available to minority group families.

The President and the Congress have given us the tools to make available substantially the same FHA benefits for buying older homes as those provided for buying new homes. On a $6,000 older home, for example, the down payment under FHA now is only $600 —just half the former amount.

This will encourage the enlargement and modernization of homes and the purchase of larger older homes. It will permit the people to trade in their old homes for reconditioned "like new homes."

It is a known fact that, despite the current construction of more than a million homes each year, Americans spend almost as much to maintain and rehabilitate existing homes as they spend for new homes. And why shouldn't they be concerned with the preservation of their properties? The home is usually the largest single investment any family ever makes. And the total estimated value of America's 40 million homes today is in excess of $400 billion—24 times the value of all the gold at Fort Knox.

When a new furnace, a new roof, new bathroom fixtures, a new kitchen, a fresh coat of paint or possibly some other repairs will make it possible to save a home which is deteriorating, the FHA now is prepared to assist in financing the job.

For the first time, the new law permits the FHA to go into neighborhoods threatened by slums to insure mortgages for the construction and rehabilitation of homes. The new emphasis is upon saving all properties which are worth saving.

It is good business as well as good citizenship to arrest slum growth. It is also good business as well as good citizenship to prevent slums before their symptoms appear.

A Brand New Tool for Home Remodeling

The Housing Act of 1954 adds a brand new tool which will help to bring our older homes up to 1954 standards. It is the open-end mortgage—so called because it allows the outstanding balance of the mortgage to be increased to pay for repairs, improvements or additions to the property. Where state laws permit, FHA-insured mortgages may now contain such a provision.

There's also the FHA home improvement program which enables the home owner to obtain up to $2,500 to enlarge, modernize or repair his property.

These, then are some of the new tools which have been given to the FHA to enable more American families to live in better homes. In handing them to me, both the President and the Congress have told me to make the FHA work for the benefit of the people of America. I'm going to try to do this.

As I see it, we were assigned the job of correcting abuses which had crept into the FHA's program. Beyond this, however, we were assigned the job of taking a fresh look at the housing needs of the people and then to the job of doing something about them.

We now have in the FHA the complete set of tools we need to do a better job of improving the housing standards of America. Now it's up to us—with the help

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*From an address by Commissioner Mason at the Second Annual Marketing Conference of Building Materials and Equipment Producers, New York City.

Report of Municipal Committee

Committee Chairman Ludwell A. Strader calls attention to strong and active municipal bond market in past year, induced by resumption of easy credit policies of the Federal Reserve. Notes large volume of municipal revenue bonds and fact that such securities are steadily becoming more acceptable as investments for both commercial and savings banks. Furnishes summary of toll roads in service and under construction.

The Municipal Committee of the National Security Traders Association, whose Chairman is Ludwell A. Strader, President of Strader, Taylor & Co., Inc., Lynchburg, Va., submitted a Report at the Association's 21st Annual Convention in Atlantic City.

The full text of the Report follows:

The municipal market during the past year has been one of unusual strength. The Bond Buyer averages manifested this upward trend by moving from a 2.90% basis a year ago to a 2.26% basis at this time. The year has been sparked by many interesting items such as raising the national debt limit by $6 billion after much discussion and attempts by Virginia's Senator Byrd to forestall such action. The rise in limit was termed a temporary increase. The plethora of turnpike issues helped to pace this strong market with the issuance of large blocks such as New York Thruway, Pennsylvania, Massachusetts and Connecticut Turnpikes, all of which were marketed in short order and have moved to a premium in most cases. The insatiable demand from institutions, banks and pension funds and the rise in buying power of the individual investor has pushed prices of toll bonds upward. The added impetus of Federal Housing issues, with a AAA rating and a Federal guarantee of principal and interest, gave the high grade investor his choicest item.

Ludwell A. Strader

While apparently not necessary as a stimulant to the market, which was strong in its own right, the Federal lowered reserve requirements and this move added underlying strength.

There were many offerings of unusual specifications such as the Georgia School Building Authority, a bond which provided funds for schools, which in turn are leased to political sub-divisions. The year's guessing game for school boards and officials has been the cost of borrowing money. Caught between a rising school age population and inadequate facilities, school bond issues have been most prominent in the tax-exempt field, and amount in excess of two billion.

SUMMARY OF TOLL ROADS

Name—	Length, Miles	Cost
Toll Roads in Service	840	$ 674,000,000
Toll Roads under Construction	1,081	1,497,000,000
Authorized Toll Roads	3,056	3,573,000,000
Other Projected Toll Roads	1,927	2,075,000,000
	6,904	$7,819,000,000

TOLL ROADS IN SERVICE

Name—	Length, Miles	Cost
Overseas Highway (to Key West, Fla.)	122	$ 8,500,000
Pennsylvania Turnpike	327	240,750,000
Westchester County (N. Y.) Parkways	25	25,000,000
Merritt & Wilbur Cross Pkways. in Conn.	67	38,000,000
Maine Turnpike	44	20,600,000
Buccaneer Trail, Florida	17	4,600,000
New Hampshire Turnpike	15	7,500,000
New Jersey Turnpike	118	285,000,000
Denver-Boulder Turnpike	17	6,000,000
Turner Turnpike (Oklahoma)	88	38,000,000
	840	$ 673,950,000

TOLL ROADS UNDER CONSTRUCTION

Name—	Length, Miles	Cost
Maine Turnpike Extension	66	$ 55,000,000
New Hampshire, Mass. Line to Concord	40	26,000,000
New York State Thruway	427	500,000,000
Southern State Parkway, New York	13	*40,000,000
New Jersey Turnpike, Hudson Co. Ext.	8	104,000,000
Garden State Parkway, New Jersey	165	285,000,000
Penna. Turnpike, Delaware River Ext.	33	65,000,000
Ohio Turnpike	241	326,000,000
West Virginia Turnpike	88	116,000,000
	1,081	$1,517,000,000

* Cost of widening only.

Congress hassled with the tax treatment of municipal industrial development revenue issues. Included in a tax bill was a disallowance of deduction from gross income of amounts (such as rent) paid or accrued by the industrial lessee, for the use of property financed by municipal industrial revenue bonds. The Senate Finance Committee eliminated that provision from the tax bill and rendered the following comment:

"Your Committee while not concerned with this problem believes that further consideration needs to be given to it before any attempt is made to provide legislation. It is not clear, for example, whether the denial of rental deduction to the lessee is the best approach to the problem. Nor is it clear that the abuse referred to arises only where revenue bonds are used to finance the property. Moreover a number of problems arise out of the House provision, where property is used for what is generally considered a public purpose, such as an airport, but as an incidental use some of the property is rented to private manufacturers."

The market strength has brought forth many projects and programs that have been withheld pending a good market. The politicians of many states are preparing bonus plans for the veterans. A recap of this situation is interesting to observe. To be submitted to the electorate in November are such large issues as 80 million in Michigan for Korean Veterans, 175 million in California, 100 million in Maryland, and pending large issues in New Jersey, Rhode Island and Montana. Issues were killed in Colorado, Kentucky, New York and Oklahoma.

Municipal revenue bonds are steadily becoming more acceptable as investments for both commercial and savings banks. On the legal list in New York State, a profusion of these issues are in the eligible sector. With a factor such as this becoming more evident the multi-billion dollar road programs should have easier sailing. Congress, with White House endorsement, is raising Federal highway funds to more than 850 million for fiscal year of 1956 and with states matching these funds, a stepped up construction program of 1,700 billion is in the making. The accompanying compendium on toll roads in the country both completed and in the offing shows the impact of the toll era.

The fact that individual investments in the past year have reached a high level is of interest to both the municipal and corporate segments of our industry. Municipal purchases by individuals has doubled in the past year, due to the higher yields offered by revenue issues along with the search of tax shelter. The individual investor purchased 1.4 billion in stocks and 2 billion in bonds, 1 billion in governments and 300 million in savings bonds.

With the constant program of education of the individual investor and the apparent supply of bonds suitable to this type of buyer it is certainly a green light for future business in an industry which serves so many needs of today's economy.

Respectfully submitted,

NATIONAL MUNICIPAL COMMITTEE

Ludwell A. Strader, Chairman
Strader, Taylor & Co., Inc., Lynchburg, Va.

J. William Roos, Vice-Chairman
MacBride, Miller & Co., Newark, N. J.

David H. Callaway, Jr.
First of Michigan Corporation, New York City

John W. Clarke
John W. Clarke, Incorporated, Chicago, Ill.

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Report of Corporate and Legislative Committee

Committee Chairman R. Victory Mosley says that insofar as the securities industry is concerned the current year is an outstanding one in that it brought about, through passage of Public Law 577, some relief from the onerous restrictions of the Securities Act. Terms development a memorable event for the industry not so much from the viewpoint of the actual changes made in the Acts but in that it was possible to get Congress to amend the laws "and, perhaps, blaze the way for other important changes from year to year."

In presenting the report of the Corporate and Legislative Committee at the NSTA Convention, Committee Chairman R. Victor Mosley, Vice-President of Stroud & Co., Inc., Philadelphia, stressed the importance to the securities industry of the passage of Public Law 577 providing for amendments to the Securities Acts. This was a memorable event, Mr. Mosley noted, not because of the amendments *per se*, but for the reason that it marked the first changes made in the laws and thus may be the forerunner of other "important changes from year to year."

R. Victor Mosley

Text of the Committee's report follows:

The year 1954, in so far as legislative matters concerning our business and the rules and regulations under which our industry operates can well be considered an outstanding one. Ever since the passing of the Securities Act in 1933 and the Securities and Exchange Act and other legislation in subsequent years, there have been numerous objections to certain aspects of these laws both as to the legislation itself and the interpretation and enforcement thereof.

For many years, officers and committees of many of the trade associations of the securities business, including our National Security Traders Association, have worked with these problems and many meetings were held with Commissioners and others associated with the Securities and Exchange Commission looking for means and methods of improving the situation. On a number of occassions it appeared that real progress was being made and that at least in part, the more burdensome and, to our minds, unworkable phases of the legislation would be amended. However, constant changes in personnel of various committees, a recurrent change in the makeup of the Commission in Washington, the occurance of World War II and the multiple problems besetting Congress, both during and following the war, all, or at least in part, were responsible for a lack of actual accomplishment.

However, under the leadership of the present Chairman of the Securities and Exchange Commission, Ralph H. Demmler, actual accomplishments have taken place. Public Law 577, which was signed by President Eisenhower on Aug. 10, 1954, will become effective on Oct. 10. This law amends the Securities Act of 1933, the Securities and Exchange Act of 1934, the Investment Company Act of 1940, and the Indenture Act of 1939.

This should be considered an outstanding event in our industry; not so much from the view-point of actual changes that have been made but the fact that at least it has been possible to get through Congress amendments and, perhaps, blaze the way for other important changes from year to year.

The Securities Act of 1933 is amended to allow a more workable method of selling new issues of securities in compliance with the Prospectus requirements of the Act. This has for years been a touchy point with underwriters and others engaged in this phase of our business and it is sincerely hoped the changes will make for a more practical solution. Of particular interest will be the activity permitted during the waiting period from the date of filing a registration statement until its effective date. An expanded use of the preliminary "Red Herring," a broadening of the "Identifying Statement" and an enlaregment upon the usage of "tombstone" advertising are expressly provided for under the amendment. Furthermore, the period in which Prospectuses must be delivered with all sales will be reduced from one year to 40 days.

The Securities and Exchange Act of 1934, the Trust Indenture Act and the Investment Company Act had minor changes.

I am happy to report that the Securities and Exchange Commission has shown a willingness at all times to cooperate in meeting the problems that arise and the best indication of their wholehearted desire to understand and cooperate is exemplified by the fact that at this Convention, we have in attendance to participate in our meetings and activities, the Chairman of the Commission, all four other Commissioners, and six representatives of the staff. Your Chairman cannot recall any meeting of our Association or other groups in the securities business where such a complete participation has taken place.

The year 1954 has also been a most satisfactory one from the viewpoint of business. Without attempting to go into detail, it is well known that the members of our Association have experienced a year of unusual financial activity, of strong and rising markets for not only stocks but municipal bonds, corporate bonds and other classes of securities.

I am indebted to the officers of the Association for their cooperation at all times and to the members of my committee.

Respectfully submitted,

CORPORATE & LEGISLATIVE COMMITTEE

R. Victor Mosley, Chairman

J. Newton Brewer, Jr.
Rouse, Brewer & Becker,
Washington, D. C.

William J. Burke, Jr.
May & Gannon, Inc.,
Boston, Mass.

J. Wilmer Butler
Baker Watts & Co.,
Baltimore, Md.

Walter Mason
Scott, Horner & Mason,
Lynchburg, Va.

Stanley L. Roggenburg
Roggenburg & Company,
New York City

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Municipal Committee Members

William D. Croom
First Securities Corporation,
Durham, N. C.

Henry E. Dahlberg
Henry Dahlberg & Company,
Tucson, Ariz.

G. Powell Davis
Willis, Kenny & Ayres, Incorporated, Richmond, Va.

Russell M. Ergood, Jr.
Stroud & Company, Incorporated, Philadelphia, Pa.

Landon A. Freear
William N. Edwards & Co.,
Ft. Worth, Texas

John N. Fuerbacher
Walter, Woody & Heimerdinger, Cincinnati, Ohio

Houston Hill, Jr.
J. S. Strauss & Co.,
San Francisco, Calif.

Gustav Klein
Mead, Miller & Co.,
Baltimore, Md.

Alonzo H. Lee
Sterne, Agee & Leach,
Birmingham, Ala.

John J. Zollinger, Jr.
Scharff & Jones, Inc.,
New Orleans, La.

Report of Publicity Committee

Committee Chairman Jerome F. Tegeler notes excellent coverage given NSTA activities in local and national publications. Suggests Chairman of Committee be resident of New York City or Philadelphia

In presenting the report of the Publicity Committee at the NSTA Convention, Chairman Jerome F. Tegeler, Partner of Dempsey-Tegeler & Co., St. Louis, acknowledged the widespread publicity accorded the Association's activities during the past fiscal year in local as well as national publications.

Text of the Committee's report follows:

During the past fiscal year excellent coverage was accorded us. The Committee would like to thank particularly the "Investment Dealers' Digest," the "Commercial & Financial Chronicle," the "Bond Buyer," and the "Blue List." Their cooperation was invaluable in bringing together the news from our many affiliated regional members.

Jerome F. Tegeler

Our Committee for the past year represented all the affiliates of the National Association.

I am deeply indebted to my Vice-Chairman, William H. Gregory, III, since, frankly, he did most of the work to see that we received as much publicity as possible on the Security Traders' activities.

I think this is something that should be remembered by the future officers of the organization and that is, in my opinion, the Chairman of the Publicity Committee should be located in New York, or possibly Philadelphia, inasmuch as they are in much closer contact with the source of publications for our industry.

In conclusion, I would like to thank the members of the Committee for their work in obtaining fine coverage in local as well as national publications.

It has been a pleasure to act as Chairman of the Publicity Committee and I am very happy to submit this report.

Respectfully submitted,

PUBLICITY COMMITTEE

Jerome F. Tegeler, Chairman

William H. Gregory III, Vice-Chairman

George B. Alexander
Conville & Co.,
Birmingham, Ala.

David L. Pindell
Lockwood, Peck & Co.,
Baltimore, Md.

Mrs. Ora M. Ferguson
Merrill Lynch, Pierce, Fenner, & Beane, Louisville, Ky.

James F. McCormick, Jr.
A. C. Allyn & Co.,
Boston, Mass.

Martin J. Long
The First Cleveland Corp.,
Cleveland, Ohio

Howard W. Freeman
H. W. Freeman & Co.,
Fort Myers, Fla.

Lewis W. Pollok, Jr.
Eddleman-Pollok & Co.,
Houston, Texas

Reed McPhillips
Bullington-Schas Co.,
Memphis, Tenn.

Joseph Sullivan
R. C. Schmertz Co.,
Pittsburgh, Pa.

Joseph Refsnes, Jr.
Refsnes, Ely, Beck & Co.,
Phoenix, Ariz.

William Sweet
Peters, Writer & Christensen, Inc., Denver, Colo.

Joseph T. Fuller
Wm. A. Fuller & Co.,
Chicago, Ill.

Charles T. Heaton
William N. Pope, Inc.,
Syracuse, N. Y.

Harold Roberts
John E. Joseph & Co.,
Cincinnati, Ohio

Thomas B. Walker, Jr.
Dallas Security Dealers' Association, Dallas, Texas

James B. Dean
J. W. Tindall & Co.,
Atlanta, Ga.

Elmer W. Pauly
Prescott, Wright, Snider Co.,
Kansas City, Mo.

Richard P. Shillinglaw
Mid-South Securities Co.,
Nashville, Tenn.

Maury J. Kessler
Wells-Fargo Bank & Union Trust Co., San Francisco, Calif.

Victor A. Williams
Paine, Webber, Jackson & Curtis, Detroit, Mich.

Edward J. McKendrick
Johnson-McKendrick Co.,
Minneapolis, Minn.

David W. J. Paden
Merrill Lynch, Pierce, Fenner & Beane, Seattle, Wash.

A. Maurits Johnson
G. H. Walker & Co.,
Hartford, Conn.

Robert M. Green
Pledger & Co., Inc.,
Los Angeles, Calif.

Marshall H. Johnson
McDaniel Lewis & Co.,
Greensboro, N. C.

Don Clinger
Lathrop-Hawk-Herrick Company, Inc., Wichita, Kan.

NSTA Memorializes Congress to Modify Capital Gains Tax Law

Resolution unanimously adopted at 21st Annual Convention requests that law not be applicable in cases where full proceeds of securities sales are reinvested in other domestic securities.

Following is text of a resolution unanimously adopted by the National Security Traders Association at its 21st Annual Convention at Atlantic City, urging that Congress amend the capital gains tax law with respect to transactions in which full proceeds of security sales are reinvested in securities of other companies in the United States:

NOW THEREFORE BE IT RESOLVED that the National Security Traders Association, Inc., at their 21st Annual Convention at Atlantic City, New Jersey, September 25th, 1954, and representing thirty-two affiliated groups and four thousand and thirty-three members, do hereby memorialize Congress to modify the tax laws dealing with capital gains to the extent that all securities sold where the full proceeds are reinvested in other securities of American industry be free of any capital gains tax.

Continued from page 15

The New Federal Housing Law

of the housing industry—to make effective use of them.

The objectives of the National Housing Act have been overlooked in the years of emergencies that have followed one after another since 1934. As a matter of fact, the objectives of the law had been moved so far into the background that no one could tell me what they were when the question came up at an industry meeting I held about three months ago.

The Preamble to the Act says, and I quote, "To encourage improvement in housing standards and conditions, to provide a system of mutual mortgage insurance and for other purposes."

Mandate to FHA

Well, it seems to me that we've already established in this very brief summary of the Housing Act of 1954 that there is a mandate to FHA to return to fundamentals and to raise the housing standards. That's the policy which the Act lays down. That's the policy which FHA now has an opportunity to put into effect.

There are plenty of reasons for this policy. In revising our minimum property requirements to raise the standards of housing in America we will be helping the home owner to obtain a more livable house that in the long run will cost him less money. You have a definite part to play in helping America get the new comforts.

In its early days, it was natural that the FHA sought to establish minimum requirements. These, of course, will be continued. But weight will also be given to a broader concept with emphasis upon valuation appraisal.

Since I went to work for the FHA, I have appointed two key officials in the Washington office—one a builder and the other an architect — who will help me launch a revision of the FHA minimum property requirements. Each is filling a new position in FHA. Mr. Charles A. Bowser, the former builder, is my assistant commissioner for technical standards. Mr. Neil A. Connor, the architect, is my director of architectural standards.

With the help of the industry, the revision of minimum property requirements is now getting underway.

One objective of the revision in FHA standards is to give recognition in the amounts of FHA-insured mortgages to quality construction and to the use of quality products, the effect of which will

be reflected through the life of the mortgage in lower maintenance costs to the consumer.

Another objective is to encourage improvements in the design of dwellings on which there are FHA-insured mortgages. It is not only what a house costs initially which is important to the family occupying it. Equally important is what it will cost to live in it.

FHA, acting in the interests of the home buyer, is going to take a good look at these other costs, such as monthly upkeep, fuel bills and depreciation. Then it seems to me that FHA can and should modify its standards to give greater recognition to quality construction and improved design.

You know, you don't leave room for much imagination in design when you accent only the minimum. You'll probably get the 24-by-36-foot box house that has become institutionalized in the last few years.

I'm not being critical of the FHA homes built to these dimensions. In the main, they've been well constructed. The houses didn't fall down. But they've pinched costs to a point that buyers who could afford more — if only they had access to favorable financing terms—were obliged to accept less.

Many of the families who reluctantly moved into two-bedroom houses a few years ago are now shopping for larger homes—both new and existing — which more adequately meet their requirements. FHA stands ready as never before to help them. You are interested in helping too.

With the new lower down payments and longer terms, we can recognize the need of the growing and expanding family for more space. We'll see more three-bedroom homes and four-bedroom homes from now on. We'll have more storage space, more closet space. We'll be able to make greater use of the new folding partitions.

No longer need FHA frown upon outdoor-indoor living as it is afforded by functional contemporary homes. This does not mean, however, that every contemporary fetish is sound nor that FHA should go overboard to approve every innovation. It does not mean that the home buyer will have the opportunity to choose between contemporary and traditional design.

We all recognize that it is more economcial to insulate a house adequately while it is under construction than to attempt to insulate it after it is completed. We recognize, too, that a well-insulated home will cost less to heat in the winter and to cool in the summer. Certainly FHA must recognize these facts in its appraisals.

But this matter, like most problems we encounter, isn't quite as simple as it sounds. There are ramifications. For instance, how far should FHA go in approving zone control, with thermostats set at different levels in different rooms, to conserve fuel?

There are other technical considerations which must be studied thoroughly. With the help of the Bureau of Standards of the Building Research Advisory Board and of industry, FHA must learn the answers.

FHA—A $40 Billion Institution

I think you will find it encouraging, however, to know that FHA now is determined to find the answers and to keep abreast of the times. The FHA is a $40 billion institution with more than 5,000 employees. I think it's about time we began to realize we can't operate a 1954 concern with 1934 methods.

The construction industry, according to the Department of Commerce and the Bureau of Labor Statistics, will compile a new all-time record of $36 billion in expenditures this year. FHA is an important cog in the construction wheel. What we do, in other words, can have a wholesome effect upon the national economy. FHA will help you too. I am not unmindful of my responsibilities in this connection.

But more important is our opportunity under President Eisenhower's housing program to serve the individual families of America by helping them to live in better homes. Te me, the human values which are inherent in what you and I are trying to do far overshadow the dollar values. Call it "corny," if you will, but I like to feel that we are making life happier for those whom we are serving.

Under the Housing Act of 1954, we for the first time are giving our families the right to choose between large homes and small homes; between new homes and older homes; between contemporary homes and traditional homes — according to their own tastes and financial capacities. We're making it easier for all to have the homes they want. We're making it easier for all to improve the homes they now live in.

Report of "Special Rights" Committee

In an interim statement regarding progress made in arranging compensation to security dealers for soliciting the exercise of stockholder's preemptive rights in new offerings, Chairman John M. Hudson points out main purpose of Committee is to determine, on an industry basis, a course of action on the subject.

At the Annual Convention of the National Security Traders Association held at Atlantic City, N. J., on Sept. 23, John M. Hudson of Thayer, Baker & Co., Philadelphia, and Secretary of the Association, delivered an interim report of the "Special Rights" Committee, which is seeking a solution of the question of obtaining compensation by securities dealers for solicitation of the exercise of stockholder's pre-emptive rights in relation to offerings of securities.

John M. Hudson

The edited transcript of Mr. Hudson's statement follows:

It has been a privilege to work on this Committee. Along with the Secretary's work, it has been quite a little job—it has taken a little time, but it is something that I like to do, and I think that any of us, if we really believe in something, will approach the job and accomplish something. Maybe you don't all go along with the thinking involved here, but the principle carried out becomes a dollar in your pocket.

Very few of the other organizations in the business, for one reason or another, mainly conflicts of interests as between the members, have seen fit to take a definite stand on this thinking with regard to compensating dealers on rights transactions.

A little earlier in the year, meetings were held in New York to advance the use of a complete study of the question. The Investment Bankers Association, with the conflict in thought, could not get the study that had been made beyond the Board of Governors. I did, early in the year, get Phil Clark's approval, insofar as we were concerned, to send out a one-page summary pointing up this study which was principally the work of John Childs and Marjorie Cruthers of the Irving Trust Company. I feel that we are the only ones that have gone on record and used the substance of this Study.

A little later in the year we had a post card sent out suggesting that you study and give consideration to the Soliciting Dealers' Agreement in connection with the Philadelphia Electric Company and similar offerings.

The great accomplishment, as I see it up to the present time, is the fact that the Philadelphia Electric Company not too long ago saw fit to compensate dealers on their offerings. They are generally accepted around the country as being one of the top utility companies. You gentlemen should know that the approach to the Philadelphia Electric Company all came about by simply exposing the management to the thinking involved in the Study implemented by their interest in stockholder relations.

The management consulted John Childs and various others, particularly Mr. Tegen of General Public Utilities Corporation, to get their opinions. As a result, dealers around the country got their 30c a share on Philadelphia Electric, and got it on a decent basis —in other words, they could manufacture the stock — they could build up clients' holdings and sell stock to new names, all under the Soliciting Dealers' Agreement.

As a member of a small organization, this did not amount to a great deal of money, but it was money that we would not otherwise have had for doing the work.

Last Friday, even with the late registrations coming in, and faced with other Convention details, I took a day off and had the privilege of attending a meeting in New York, at which were represented several segments of our industry. The main purpose was to try to determine, on an industry basis, a course of action. As a result, we are proceeding on an individual, not an organization basis, to have the results and a whole lot more of the thinking, statistics, and so forth, published very shortly in the "Public Utility Fortnightly," which of course gets right to the top of the utility organizations, and at the moment we are concentrating on that part of it, so that when we educate the utilities and, we hope, bring them around to the thinking we will have accomplished a great deal. Ultimately we hope to have the industrial organizations doing likewise.

Georgia Power is doing it. That is a little different type of a deal, but the paying of fees helps to get the preferred exchanged.

I do have a copy of a letter—I am not going to read it, because it runs into a little too much time. I would like to have it made a part of the record, however. It is signed by Allan Mitchell, of the Philadelphia Electric Company. It is addressed to one of the authors of "Aids in the Financing of Stock Issues with Pre-emptive Rights," and it is the company's opinion, and I might say, a very favorable one, of the results of paying fees, in so far as they are concerned, and to me is a high recommendation for that type of situation.

Just in closing I would like to say that it has been a privilege to work on this Committee — again I say I like to do it.

Respectfully submitted,

"RIGHTS" COMMITTEE

John M. Hudson, Chairman.
Thayer, Baker & Co.,
Philadelphia, Pa.

In Attendance at NSTA Convention

ABELL, DUNBAR B.*
Reed, Lear & Co.
New York City

ABRAMSON, R. W.
Weeden & Co.
San Francisco, Calif.

ADAMS, CLARENCE H.*
Securities & Exchange Commission, Washington, D. C.

ADAMS, EDWARD R.*
Clement A. Evans & Co., Inc.
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ALLISON, M. BERRY
Robt. Garrett & Sons
Baltimore, Md.

ARMSTRONG, SINCLAIR J.
Securities & Exchange Commission, Washington, D. C.

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Securities & Exchange Commission, Washington, D. C.

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du Pont, Homsey & Co.
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HOMSEY, ANTON E., Jr., Pfc.
du Pont, Homsey & Co.
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HUDSON, MASTER BOBBY
Thayer, Baker & Co.
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HUDSON, MARY LOU
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Jersey City, N. J.

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Straus, Blosser & McDowell
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*JACKSON, WINTON A.**
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Pittsburgh, Pa.

*JOHNSON, WILBUR E., Jr.**
Johnson & Johnson
Pittsburgh, Pa.

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Robinson-Humphrey Co., Inc.
Atlanta, Ga.

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Robinson-Humphrey Co., Inc.
Atlanta, Ga.

*JONES, JAMES E.**
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New York City

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Grady, Berwald & Co., Inc.
New York City

*KAVANEWSKY, JOHN F.**
Goldman, Sachs & Co.
New York City

KEARNS, HUGH
American Securities Corp.
Chicago, Ill.

KEARTON, JOHN G.
National Quotation Bureau
Philadelphia, Pa.

KELLERMANN, HOWARD L.
Alex. Brown & Sons
Baltimore, Md.

*KELLY, EDWARD J.**
Carl M. Loeb, Rhoades & Co.
New York City

KELLY, JAMES F.
Kidder, Peabody & Co.
New York City

KELLY, JOSEPH M.
Starkweather & Co.
New York City

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NSTA Nominating Committee For 1955


Robert W. Haack


Winton A. Jackson


John J. Meyers, Jr.


Joseph E. Smith


John J. Zollinger, Jr.

Robert W. Haack, *Robert W. Baird & Company, Incorporated*, Chicago.

Winton A. Jackson, *First Southwest Company*, Dallas, Texas.

John J. Meyers, Jr., *Gordon Graves & Co.*, New York City.

Joseph E. Smith, *Newburger & Co.*, Philadelphia, Pa.

John J. Zollinger, Jr., *Scharff & Jones, Inc.*, New Orleans, La.

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Took Office: January 1, 1954; Term Expires: December 31, 1954.

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Bernard Aronson & Co.
AVERELL, ALFRED B.
Bache & Co.
BAILEY, THOMAS C.
Wertheim & Co.
BAIR, JOHN W.
Carolina Securities Corporation
BARBIER, LESLIE
G. A. Saxton & Co., Inc.
BARKEN, PETER
Peter Barken Co.
BARKER, JOHN S.
Lee Higginson Corporation
BARMONDE, PHILIP T.
Barmonde, Gilliland & Co.
BARNES, RICHARD M.
A. M. Kidder & Co.
BARRETT, FRANK D.
H. C. Wainwright & Co.
BARTH, PETER L.
Walston & Co.
BARTOLD, HENRY S.
Eastman, Dillon & Co.
BARTON, D. FREDERICK
Eastman, Dillon & Co.
BARYSH, BURTON A.
Ernst & Co.
BARYSH, MAX
Ernst & Co.
BARYSH, MURRAY L.
Ernst & Co.
BASS, SOL
Bear, Stearns & Co.
BASTIAN, WILLARD
Carl M. Loeb, Rhodes & Co.
BATKIN, ELY
Batkin & Co.
BEAHAN, WILLIAM J.
Lebenthal & Co.
BEAN, JULES
Singer, Bean & Mackie, Inc.
BECKER, EDWARD I.
Reynolds & Co.
BECKER, FRANK H.
Guaranty Trust Company of New York
BEN, HANS E.
New York Hanseatic Corporation
BENTLEY, HAROLD W.
Abbott, Proctor & Paine
BERNEBURG, RANSOM A.
Wood, Gundy & Co., Inc. (Associate)
BERNHEIMER, KERMIT L.
D. F. Bernheimer & Co., Inc. (Associate)
BERTSCH, ARTHUR W.
G. A. Saxton & Co., Inc.
BERWALD, OTTO A.
Grady, Berwald & Co.
BESWICK, SAMUEL F.
Laird, Bissell & Meeds
BEZER, CHARLES A.
Sutro Bros. & Co.
BIES, SYLVESTER J.
Edward S. Ladin Co. (Associate)
BILLINGS, JOSEPH H.
Cowen & Co.
BIRD, JAMES F.
Gude, Winmill & Co.
BIRNBAUM, NAHUM
Birnbaum & Co.
BLAIR, FRANK H.
Allen & Company
BLANCHARD, STEPHEN L.
Schwabacher & Co.
BLANK, ANDREW
P. F. Fox & Co.
BLOCKLEY, JOHN C.
Harris, Upham & Co.
BLOOM, SOL M.
United Continental Corp. (Associate)
BOGGS, WILLIAM H.
John R. Boland & Co., Inc.
BOLAND, WILLIAM H.
Boland, Saffin & Co.
BOLOGNINI, RINALDO A.
Lasser Bros.
BOND, JOSEPH V.
Joseph McManus & Co.
BOUCHER, JOHN B.
J. B. Boucher & Co.
BOUTON, HOWARD R.
Verace & Co.
BRADLEY, WALTER V.
B. W. Pizzini & Co., Inc.
BRADY, FRANK J.
McLaughlin, Reuss & Co.
BRAND, HARRY L.
Zuckerman, Smith & Co. (Associate)
BRENNAN, JAMES I.
J. G. White & Co., Inc.
BREWER, III, JAMES R.
John C. Legg & Company
BRIGGS, STANLEY BRUCE
Graham, Ross & Co., Inc.
BROCHU, PETER
Allen & Company
BROOKS, GEORGE F.
Paine, Webber, Jackson & Curtis
BROOMHALL, ALLEN
New York Hanseatic Corporation
BROWN, ALVIN C.
Tweedy, Browne & Reilly (Associate)
BROWN, D. HOWARD
Ingalls & Snyder
BROWN, HAROLD L.
Cohu & Co.
BROWN, JULIUS D.
Gearhart & Otis, Inc.
BROWN, THOMAS J.
W. E. Hutton & Co.
BROWNE, HOWARD S.
Tweedy, Browne & Reilly
BRUGGEMAN, CHARLES
Dean Witter & Co.
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T. L. Watson & Co.
BRYAN, CHARLES F.
Spencer Trask & Co.
BRYSON, JAMES F.
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White, Weld & Co.
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Charles King & Co.
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Daniel F. Rice and Company
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Auchincloss, Parker & Redpath
BUSCHMAN, HERBERT
Newborg & Co.
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CANTER, A. JOEL
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Talmadge & Co.
CAPPER, MILTON
Capper & Co.
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Ira Haupt & Co.
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CASPER, HARRY D.
John J. O'Kane, Jr. & Co.
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CHANNELL, CLIFFORD K.
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Spencer Trask & Co.
CHAVE, WILLIAM F.
Hornblower & Weeks
CHRISTOPHER, WILLIAM H.
R. W. Pressprich & Co.
CLEAVER, JAMES P.
Goodbody & Co.
CLEMENCE, EDWIN G.
Gersten & Frenkel
COHEN, EUGENE M.
Joseph Faroll & Co.
COLANDRO, JOSEPH N.
White, Weld & Co.
COLEMAN, C. MERRITT
Allen & Company
COLLINS, GEORGE L.
Blair & Co., Incorporated
COLTHUP, JAMES F.
Freeman & Company
COLWELL, SAMUEL F.
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CONLON, BERNARD J.
P. F. Fox & Co.
CONLON, JOHN A.
Eastman, Dillon & Co.
CONLON, Jr., JOSEPH F.
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COPPLE, LIVEY E.
Smith, Barney & Co.
CORBEY, JOSEPH J.
Allen & Company

CORKEY, DONALD B.
E. F. Hutton & Co.
CORLEY, EDWARD M.
Blyth & Co., Inc.
COURTNEY, HARRY S.
Peter P. McDermott & Co.
CRAIG, JOSEPH J.
Goodbody & Co.
CRONE, EDWARD A.
Laurence M. Marks & Co.
CROWLEY, JOHN B.
Reed, Lear & Co.
CRYAN, FRANK M.
Frank M. Cryan & Co., Inc. (Associate)
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(Honorary)
CURRY, THOMAS L.
Stone & Webster Securities Corporation
CUSACK, JOHN T.
Amott, Baker & Co. Incorporated
DAHLGREN, ERNEST A.
Paine, Webber, Jackson & Curtis
DAINES, FRANCIS M.
Hayden, Stone & Co. (Associate)
DALE, CALVIN D.
Adams & Peck
DANEMEYER, JOHN J.
Merrill Lynch, Pierce, Fenner & Beane
DAVIS, JOHN HENRY
Sutro Bros. & Co. (Associate)
DAVIS, MARTIN
F. Eberstadt & Co. Inc.
DAVIS, THOMAS JOSEPH
A. C. Allyn & Co., Inc.
DAWSON-SMITH, STANLEY E.
Cruttenden & Co.
DEDRICK, GEORGE E.
Joseph McManus & Co.
DeFINE, ROBERT E.
Frederick F. Berlinger
DELAIRE, ALVIN J.
McLaughlin, Reuss & Co.
DE MAYE, JOHN E.
Sutro Bros. & Co.
De SOCIO, SAMUEL F.
L. H. Ingraham & Co.
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C. D. Robbins & Co., Newark, N. J. (Associate)
DIMPEL, RALPH T.
Seligman, Lubetkin & Co.
DITTELL, LEONARD
Dreyfus & Co.
DIXON, WILLIAM G.
Cutter & Dixon
DOHERTY, JOHN J.
A. C. Allyn and Company, Inc.
DOHERTY, WILLIAM H.
A. M. Kidder & Co.
DOLAN, LAWRENCE P.
J. B. Boucher & Co.
DONADIO, JOSEPH F.
Wm. V. Frankel & Co., Incorporated
DONNELLY, Jr., JAMES A.
Reynolds & Co.
DORFMAN, LEON B.
Asiel & Co. (Associate)
DORSEY, JOSEPH R.
Merrill Lynch, Pierce, Fenner & Beane
DOYLE, LESTER T.
Hardy & Co.
DRUCKER, FRANK
Asiel & Co. (Associate)
DUGA, J. S.
Merrill Lynch, Pierce, Fenner & Beane
DUNN, GAMBOL J.
Dunn & Rollins (Honorary)
DUNNE, FRANK
Dunne & Co.
DURNIN, JAMES B.
H. D. Knox & Co., Inc.
EAGAN, JOSEPH C.
Frank C. Masterson & Co.
EATON, STANLEY C.
EBBITT, KENNETH COOPER
Shelby Cullom Davis & Co.
ECKLER, PETER duBOIS
Chas. E. Quincey & Co.
ECKSTEIN, J. FRANCIS
Interstate Securities Corporation
EGENES, BERGER
Merrill Lynch, Pierce, Fenner & Beane
EIGER, WILLIAM
Goodbody & Co.
EISELE, FREDERICK R.
Freeman & Company
ENGLANDER, SAMUEL
Englander & Co.
ENGLE, TRACY R.
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ERICKSON, WILLIAM T.
Shields & Company
FABRICANT, SEYMOUR
Wm. E. Pollock & Co., Inc.
FARRELL, JOHN J.
Farrell Securities Co.
FARRELL, JOSEPH V.
Bonner & Gregory
FELDMAN, ARNOLD
Arnold Feldman Company
FELTMAN, IRVING L.
Mitchell & Company
FEUER, ABRAM J.
Spiegelberg, Feuer & Co.
FILKINS, WALTER L.
Troster, Singer & Co.
FISCHER, EDWARD A.
Robert S. Byfield
FitzGERALD, JAMES F.
W. L. Canady & Co., Inc.
FitzGERALD, JOHN M.
W. C. Pitfield & Co., Inc.
FITZPATRICK, DOMINICK A.
Van Alstyne, Noel & Co.
FITZPATRICK, FRANCIS J.
Joseph McManus & Co (Associate)
FLANAGAN, JOSEPH E.
John J. O'Kane, Jr., & Co.
FLECKNER, WILLIAM L.
Merrill Lynch, Pierce, Fenner & Beane
FOOTE, GORDON R.
Francis I. du Pont & Co.
FORBES, RAYMOND CLEMENT
Merrill Lynch, Pierce, Fenner & Beane
FOX, P. FRED
P. F. Fox & Co.
FOX, S. B. BARTON
FRANK, ALBERT F.
Ladenburg, Thalmann & Co. (Associate)
FRANK, HAROLD W.
American Securities Corporation
FRANK, HARRY
Frank Investors Corp. (Associate)
FRANK, ISADORE
Frank & Company
FRANK, ROBERT R.
Reinholdt & Gardner
FRANKEL, ADRIAN A.
Ungerleider & Co.
FRANKEL, HERMAN
Singer, Bean & Mackie, Inc.
FRANKEL, WILLIAM V.
Wm. V. Frankel & Co., Incorporated
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M. S. Wien & Co., Jersey City, N. J. (Associate)
FRAZIER, LAURENCE S.
Laurence Frazier & Co.
FREDERICK, PAUL O.
Baxter, Williams & Co.
FREDERICKS, Jr., PAUL C.
Warren W. York & Co., Inc.
FREE, FREDERICK L.
Frederick L. Free & Co.
FRENCH, JOHN S.
A. C. Allyn and Company, Inc.
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Gersten & Frenkel
FRINGS, J. GEORGE
Sterling, Grace & Co.
FROST, FRANCIS W.
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Gearhart & Otis, Inc.
GELLER, AARON ALTER
Allen & Company
GERMAIN, JOHN P.
Troster, Singer & Co.
GERSTEN, HENRY B.
Oscar Gruss & Son
GERTLER, JOHN H.
Barr Bros. & Co.
GESSELL, HERBERT R.
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GEYER, GEORGE
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GHEGAN, A. KINGSTON
Edwin L. Tatro Co.
GIBBS, LOUIS A.
Laird, Bissell & Meeds
GILL, THOMAS P.
Gill & Co.
GINBERG, FRANK
Ginberg, Strauss & Co., Inc.
GISH, CARL K.
Boettcher and Company
GLEASON, THOMAS W.
Carolina Securities Corporation
GOLD, DAVID
Lapham & Co. (Associate)
GOLD, SAMUEL
New York Hanseatic Corporation
GOLD, SAMUEL I.
Lapham & Co.
GOLDMAN, EDWARD PRINCE
Oppenheimer, Vanden Broeck & Co. (Associate)
GOLDSCHMIDT, SAM'L
GOLDSTEIN, DAVID
Newburger, Loeb & Co.
GOLKIN, SAUL
Golkin & Co.
GOODEVE, CHARLES W.
F. B. Ashplant & Co.
GOODMAN, RICHARD H.
Shields & Company
GOURSE, WILLARD S.
Benjamin, Hill & Co.
GOWAN, VINCENT M.
Goldman, Sachs & Co.
GRACE, IRVING P.
W. C. Pitfield & Co., Inc.
GRAHAM, FRANK C.
Edward A. Purcell & Co.
GREENBERG, ALAN C.
Bear, Stearns & Co.
GREENBERG, THOMAS
C. E. Unterberg, Towbin Co.
GREENE, IRVING ALLEN
Greene and Company
GREENE, NATHANIEL S.
Gersten & Eliasberg
GREENFIELD, HARRY K.
Greenfield & Co., Inc. (Associate)
GREGORY, Jr., WM. H.
Bonner & Gregory
GREGORY, III, WILLIAM H.
Bonner & Gregory
GRIMSHAW, FREDERICK M.
G. H. Walker & Co.
GRONICK, SAMUEL
Gerstley, Sunstein & Co.
GROWNEY, E. MICHAEL
Joseph McManus & Co.
GUITON, JOSEPH F.
Craigmyle, Pinney & Co.
GUMM, HARRY R.
G. A. Saxton & Co., Inc.
GURLEY, H. FRASER
Glore, Forgan & Co
GUTBERLET, EDWIN S.
Paine, Webber, Jackson & Curtis
GUTTAG, IRWIN
Kaufmann, Alsberg & Co.
GUTTMAN, RUDOLPH
White, Weld & Co.
HALK, JOHN L.
R. L. Day & Co.
HALSEY, W. GURDEN
B. W. Pizzini & Co., Inc.
HAMILL, ARTHUR T.
W. E. Hutton & Co.
HARDER, F. WILLIAM
Allen & Company
HARDY, HARRY J.
Hardy & Hardy
HART, MAURICE
New York Hanseatic Corporation
HARTIGAN, RAYMOND A.
W. E. Burnet & Co.
HARVEY, EDWARD A.
L. A. Mathey & Co.
HATZ, ARTHUR
Arnhold & S. Bleichroeder, Inc
HAYES, JAMES J.
Murphy & Durieu (Associate)
HEANEY, MICHAEL J.
Michael J. Heaney & Co.
HECHT, JOSEPH T.
Mabon & Co.
HECK, JOHN
HEFFERNAN, THOMAS J.
Hardy & Co.
HEIDINGSFELD, JESSE
Ira Haupt & Co. (Associate)
HELBIG, BARON G.
Baron G. Helbig & Co.
HELFGOTT, LAWRENCE
Kuhn, Loeb & Co. (Associate)
HERZENBERG, IRVING
Townsend, Graff & Co. (Associate)
HERZOG, ROBERT I.
Herzog & Co., Inc.
HIGGINS, GEORGE FARRELL
Clark, Dodge & Co
HINCHMAN, ROBERT M.
Ira Haupt & Co.
HINES, JOHN D.
Dean Witter & Co.
HOBLITZELL, BRUCE C.
Wm. L. Burton & Co.
HOLLAN, JOHN J.
Barr Brothers & Co. (Associate)
HOLTZMAN, SYDNEY
Joseph McManus & Co.
HONIG, JACK
New York Hanseatic Corporation (Associate)
HOOPER, EARL H.
Gearhart & Otis, Inc.
HORCH, ERNEST M.
Lazard Freres & Co.
HORN, EDWARD A.
Kuhn, Loeb & Co.
HORTON, CHARLES C.
Braun, Bosworth & Co., Inc.
HOUGH, CLINTON G.
Long & Meaney
HUFF, Jr., ASA C.
Georgeson & Co.
HULSEBOSCH, GERARD F.
Godnick & Son
HUNT, E. JANSEN
White, Weld & Co.
HUNT, GEORGE B.
D'Assern & Co.
HUNT, GEORGE V.
McLaughlin, Reuss & Co.
HUNTER, WELLINGTON
Wellington Hunter Associates, Jersey City, N. J.
ISAAC, IRVING H.
Stryker & Brown
ITTLEMAN, IRVING
Ernst & Co.
JACOBS, EDWIN A.
L. D. Sherman & Co.
JACOBS, SIDNEY
Sidney Jacobs Co.
JACOBSON, HANS J.
A. G. Becker & Co., Inc. (Associate)
JACOBUS, ROYDEN E.
Vilas & Hickey
JANN, CHARLES H.
Estabrook & Co.
JOHNSON, STANLEY J.
Battles & Company, Inc.
JOHNSON, WALTER R.
G. A. Saxton & Co., Inc.
JONES, JAMES E.
Courts & Co.
JOYCE, WILLIAM H.
Joyce, Kuehner & Co.
KADELL, ALLAN
Homer O'Connell & Co., Inc.
KAHL, CHARLES A.
Charles A. Kahl & Co.
KAHN, HENRY
Ernst & Co. (Associate)
KAISER, CHARLES M.
Grady, Berwald & Co., Inc.
KALES, DAVIS
Wood, Gundy & Co., Inc.
KANE, GERALD F.
Frank C. Moore & Co.
KANE, THOMAS FRANCIS
Ernst & Co.
KANE, WALTER
Shearson, Hammill & Co.
KASSEBAUM, JOHN E.
Van Alstyne, Noel & Co.
KEATING, LAURENCE C.
Hirsch & Co.
KELLEY, EUGENE F.
Shelby Cullom Davis & Co.
KELLY, EDWARD J.
Carl M. Loeb, Rhoades & Co.
KELLY, JAMES FRANCIS
Kidder, Peabody & Co.
KELLY, JOSEPH M.
Starkweather & Co.
KELLY, ROBERT J. J.
Bonner & Gregory

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John Bunn, *Stifel, Nicolaus & Company, Incorporated*, St. Louis, newly elected President of N. S. T. A. addressing dinner meeting

B. L. England, President of *Atlantic City Electric Co.*, addressing dinner meeting

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Starkweather & Co.

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Charles King & Co.

KING, MARTIN I.
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KING, SAMUEL H.
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Filor, Bullard & Smyth

KLEIN, CHARLES E.
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KRISAM, WILBUR
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Walter C. Kruge & Co. Inc.

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Siegel & Co.

KUEHNER, HANNS E.
Joyce, Kuehner & Co.

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Carl M. Loeb. Rhodes & Co.

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Coggeshall & Hicks

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American Nile Corporation

LACY, HERBERT J.
Pulis, Dowling & Co.

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The First Boston Corp.

LADIN, EDWIN S.
Edward S. Ladin Company

LALLY, ELMER
Hayden, Stone & Co.

LAND, EARLE E.
Green, Ellis & Anderson

LANE, PAUL J.
Kidder, Peabody & Co.

LANG, JAMES V.
J. B. Lang & Co. (Associate)

LANGDON, PHILLIP C.
Weeden & Co., Inc.

LANN, JOSEPH J.
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LANZA, P. PAUL
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LARKIN, THOMAS A.
Goodbody & Co.

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H. D. Knox & Co., Inc.

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Mitchell & Company

LEONE, GEORGE V.
Leone & Pollack

LEPOW, MONROE E.
Lepow Company

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Goldman, Sachs & Co.

LEVY, MARTIN L.
Lee-Willen & Co.

LEWIS, MILTON F.
Ira Haupt & Co.

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B. S. Lichtenstein & Co.

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LIENHARD, ERNEST
Troster, Singer & Co.

LIPSKY, CORNELIUS
Burnham & Co.

LITZEL, CHARLES M.
White, Weld & Co.

LOELIGER, FRED V.
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LOPATO, ALLAN
Allen & Company

LOPEZ, FELIX M.
Thomson & McKinnon

LUBETKIN, LLOYD E.
Seligman, Lubetkin & Co.

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Birnbaum & Co. (Associate)

LUTTERMAN, MORRIS J.
Birnbaum & Co.

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Allen & Company

LYTLE, JOHN VINCENT
Shields & Company

MacCULLEY, IRA B.
Equitable Securities Corp.

MACDONALD, JOHN M.
The Dominion Securities Corporation

MACKESSY, T. FRANK
Abbott, Proctor & Paine

MACKIE, ROBERT A.
Singer, Bean & Mackie, Inc.

MacLEOD, DONALD
Blair & Co., Incorporated

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MADER, HENRY J.
White, Weld & Co.

MAGID, SAMUEL E.
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MALONE, THOMAS MICHAEL
Gill & Co. (Associate)

MANSON, JOHN N.
Hardy & Co.

MARKHAM, EDWIN J.
Wertheim & Co.

MARSLAND, ALLISON W.
Wood, Gundy & Co., Inc.

MARTENS, GEORGE
Cohu & Co.

MARTIN, RALPH
Bear, Stearns & Co.

MARTINELLI, ANGELO
Josephal & Co. (Associate)

MASTERSON, FRANK C.
Frank C. Masterson & Co.

MATHES, JOSEPH
Ira Haupt & Co.

MAXFIELD, N. IRVING
Cohu & Co.

MAYER, JOHN M.
Merrill Lynch, Pierce, Fenner & Beane

McCABE, MATTHEW J.
Singer, Bean & Mackie, Inc.

McCALL, FRANK J.
Hayden, Stone & Co.

McCARTHY, DANIEL D.
Union Securities Corporation

McCLUSKEY, JAMES F.
Merrill Lynch, Pierce, Fenner & Beane

McDONALD, STEPHEN R.
W. E. Burnet & Co.

McDOWELL, HAROLD M.
Van Deventer Brothers, Inc. (Associate)

McDOWELL, ROBERT B.
Adams & Peck

McGIVNEY, FRANK G.
Thomson & McKinnon

McGIVNEY, JAMES T.
Hornblower & Weeks

McGOVERN, WILLIAM J.
Bonner & Gregory

McGOWAN, ALFRED
Hayden, Stone & Co.

McKENNA, FRANK V.
Grimm & Co.

McLAUGHLIN, JOHN F.
McLaughlin, Reuss & Co.

McLAUGHLIN, JOHN S.
White, Weld & Co.

McMANUS, JOSEPH V.
Joseph McManus & Co.

McVEY, GEORGE M.
Lehman Brothers

MEISLOHN, WALTER E.
Bache & Co. (Associate)

MELLIN, WILLIAM T.
H. C. Wainwright & Co.

MENDEL, EDWIN JEFFERSON
Peter P. McDermott & Co.

MERCOVICH, ANTHONY S.
Laidlaw & Co.

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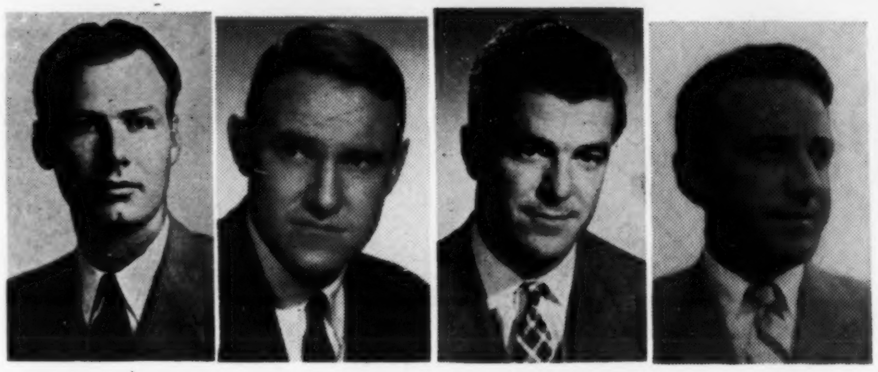

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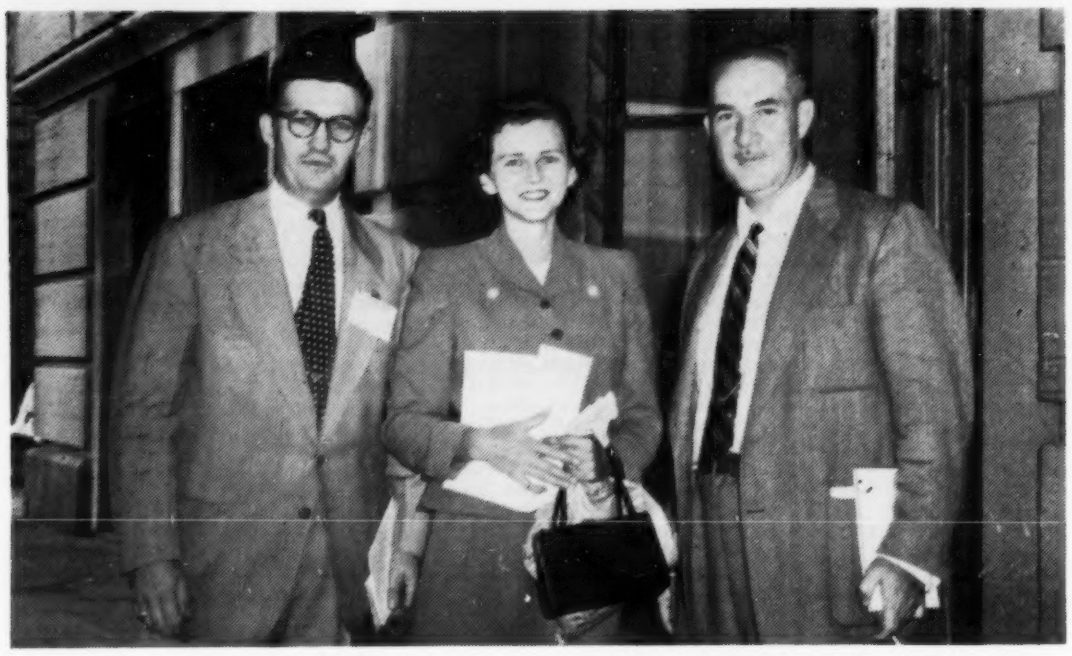
Wm. N. Edwards & Co., Ft. Worth, Tex.
EARP, M. H.
Mercantile National Bank (Associate)
EDELMAN, EDWARD
Locke, Locke & Purcell (Associate)
EDWARDS, WILLIAM N.
William N. Edwards & Co.,
Ft. Worth, Texas
ELLIS, JOE W.
First Southwest Company
EPPLER, WILLIAM B.
Eppler, Guerin & Turner
ESTES, B. H.
R. J. Edwards, Inc.
FERRIS, JOHN D.
Ferris & Company
FISK, FRANK K.
Garrett & Company
FOSTER, ROBERT K.
Merrill Lynch, Pierce, Fenner & Beane
FRANKLIN, EDGAR W.
Dittmar & Company
FREEAR, LANDON A.
William N. Edwards & Co.,
Ft. Worth, Texas
GENTRY, DAVID T.
Eppler, Guerin & Turner
GEORGEVITCH, D. I.
Dallas Rupe & Son
GIBBS, KIRBY
First National Bank (Associate)
GILBERT, JR., ROBERT R.
First National Bank
GRANOWSKI, DORIAN
Garrett & Company
GUERIN, DEAN
Eppler, Guerin & Turner
HAGBERG, MANLEY A.
M. A. Hagberg & Co., Inc.
HALE, C. R.
Dallas Rupe & Son
HALL, R. A.
Dallas Rupe & Son
HAMILTON, JOHN M.
C. N. Burt & Company
HAMILTON, WILLIAM S.
C. N. Burt & Company
HATCHER, M. M.
First National Bank
HAWKINS, R. M.
Dallas Rupe & Son
HEMENWAY, W. P.
Dallas Rupe & Son
HEMMINGSON, GEORGE T.
Central Investment Company of Texas
HENDRIX, CLARENCE R.
William N. Edwards & Co., Ft. Worth
HENDRIX, PHILIP L.
Dallas Union Securities Company
HENRY, LOUIS B.
Henry-Seay & Co.
HILGER, DERRY M.
Rauscher, Pierce & Co.
HOBBS, WILL
Rauscher, Pierce & Co.
HORTON, PAUL B.
McCall, Parkhurst & Crowe (Associate)

(Continued on page 32)



Mr. & Mrs. Rubin Hardy, *First Boston Corporation*, Philadelphia; Hal Murphy, *Commercial & Financial Chronicle*, New York

Mr. & Mrs. William H. Doerr, *American Securities Corporation*, Philadelphia; Mr. & Mrs. Stanley Roggenburg, *Roggenburg & Co.*, New York

Dallas Security Dealers Association

(Continued from page 31)

ROSTER OF MEMBERS

HOUSTON, B. FRANKLIN
Dallas Union Securities Company

HUDSON, JOHN K.
Hudson, Stayart & Co., Inc.

HUDSON, ROBERT S.
Hudson, Stayart & Co., Inc.

HUGUENIN, A. B.
Dumas, Huguenin & Boothman (Associate)

HUIE, HARVEY K.
Wood, Struthers & Co.

HUMPHREYS, PAT O.
Keith Reed & Company

JACKSON, Jr., WILLIAM C.
First Southwest Company

JACKSON, WINTON A.
First Southwest Company

JACQUES, JAMES F.
First Southwest Company

JAMES, Jr., JUDSON S.
Judson S. James & Co.

JOHNSON, PAGE
Eppler, Guerin & Turner

JONES, HERBERT M.
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KEELER, D. ACHESON
Lord, Abbott & Co.

KEIL, MORRIS J.
Schneider, Bernet & Hickman

KELLER, HENRY
Keller & Ratliff
Ft. Worth, Texas

KERR, Jr., BEN J.
Mercantile National Bank (Associate)

KIRK, PAUL
First National Bank (Associate)

KLECKA, JOE E.
First Southwest Company

KLINE, WALTER S.
Garrett and Company, Inc.

LAFFERTY, J. LEWELL
Republic National Bank

LANGMORE, W. BANKART
Wood, Struthers & Co.

LEWIS, BEN
Beer & Company

LUCAS, B. W.
Fort Worth National Bank,
Fort Worth

LYNE, III, LEWIS F.
Mercantile National Bank of Dallas

MAILLOUX, MELVIN
Transwestern Investment Co., Inc.

MALONEY, THOMAS E.
Rauscher, Pierce & Co.

MANGRUM, JOHN E.
Southland Life Insurance Co. (Associate)

MANNEY, IRVING
Industrial Securities Corporation

MANNING, W. K.
Wood, Struthers & Co.

MARTIN, J. T.
Shearson, Hammill & Co.

MASON, A. J.
Republic National Bank (Associate)

MAYES, HARLAND
Rauscher, Pierce & Co.

McCALL, HOBBY H.
McCall, Parkhurst & Crowe (Associate)

McCALL, JOHN D.
McCall, Parkhurst & Crowe (Associate)

McCARTHY, G. L.
Eppler, Guerin & Turner

McCLANE, JOHN S.
Barron McCulloch, Ft. Worth, Texas

McCLURE, Jr., FRED L.
Hudson, Stayart & Co., Inc.

McCONNELL, HARRY N.
Central Investment Company of Texas

McCULLEY, CLAYTON R.
First Southwest Company

McCULLOCH, BARRON
Ft. Worth, Texas

McEWEN, HAROLD D.
E. F. Hutton & Company

McFARLAND, WILLIAM E.
Central Investment Company of Texas

McGINNIS, J. H.
Republic National Bank (Associate)

McKINNEY, MUNSON
Rauscher, Pierce & Co.

McMAHON, FRANK B.
Henry-Seay & Co.

McNATT, GUY W.
Henry-Seay & Co.

McPHERSON, W. PERRY
Merrill Lynch, Pierce, Fenner & Beane

MEDANICK, FRANK
First Southwest Company

MERRILL, SAM
Rauscher, Pierce & Co.

MILLER, FRANK
Frank Miller & Co.

MITCHELL, Jr., JOE C.

MOORE, ADDISON P.
Southern Brokerage Co.

MOORE, MURRAY W.
Murray W. Moore & Company

MOORE, WILMER L.
Garrett and Company

MORONEY, T. J.
Republic National Bank of Dallas (Associate)

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R. A. Underwood & Co., Inc.

MURPHY, R. P.
First National Bank in Dallas

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Sanders & Newsom

NICOUD, ROBERT
First National Bank

OBENCHAIN, THOMAS H.
Dallas Union Securities Company

OLIVER, Jr., ALLEN L.
E. F. Hutton & Company

OLSMITH, EDWIN S.
Dallas Rupe & Son

OSBORNE, CLIFFORD J.
Dallas Rupe & Son

OTT, L. A.
Beer & Company

OTTO, ED S.
Dallas Rupe & Son

OWENS, JAMES C.
Dallas Union Securities Company

PARKHURST, MILLARD
McCall, Parkhurst & Crowe (Associate)

PAWEL, TOM E.
R. J. Edwards, Inc.

PAYNE, JACK
Republic National Bank of Dallas

PEARSON, G. HAROLD
Mountain States Securities Corporation,
Salt Lake City, Utah

PENICK, TOM
Hudson, Stayart & Co., Inc.

Mr. & Mrs. Laurence Frazier, *Laurence Frazier & Co.*, New York; Mr. & Mrs. Morton A. Cayne, *Gottron, Russell & Co.*, Cleveland

Bertrand Leppel, *Charles A. Parcells & Co.*, Detroit; Virginia Lee, *Stroud & Company, Incorporated*, Philadelphia; Lucille Farrell, *H. G. Kuch & Co.*, Philadelphia, checking in at 1954 Convention

Dallas Security Dealers Association

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J. P. Perkins & Company

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Rauscher, Pierce & Co.

POSTEL, ARTHUR E.
Henry-Seay & Co.

PRESLEY, RUSSELL
Henry-Seay & Co.

RATLIFF, HARRY
Keller & Ratliff, Ft. Worth, Texas

RAUSCHER, JOHN H.
Rauscher, Pierce & Co.

RAUSCHER, Jr., JOHN H.
Rauscher, Pierce & Co.

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Dallas Rupe & Son

REED, KEITH B.
Keith Reed & Company

RIVES, J. FRED
Texas Bank & Trust Company

ROBERTS, NICHOLAS F.
Republic National Bank

RODGERS, LEWIS F.
Central Investment Company of Texas

ROOKER, GEORGE S.
Keith Reed & Company

RUPE, Jr., D. GORDON
Dallas Rupe & Son

SAMPLE, CLARENCE
Mercantile National Bank at Dallas (Associate)

SANDERS, Jr., JESSE A.
Sanders & Newsom

SANGER, EDWIN
Beer & Company

SCHNEIDER, JULES E.
Schneider, Bernet & Hickman

SCOTT, RALPH E.
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SCOTT, WALTER R.
Bailey, Scott & Company

SEAY, WILLIAM H.
Henry-Seay & Co.

SHEA, JOSEPH
E. F. Hutton & Company

SHELTON, LOCKETT
Republic National Bank of Dallas

SHIELDS, Jr., E. A.
Merrill Lynch, Pierce, Fenner & Beane

SHILG, J. ERVIN
Garrett and Company, Inc.

SITZENSTATTER, N. J.
Eppler, Guerin & Turner

SMALLWOOD, WILLIAM P.
First Southwest Company

SMITH, R. B.
Texas Bond Reporter (Associate)

STANDLEY, JOHN
Southwestern Life Insurance Co. (Associate)

STAYART, LOUIS W.
Hudson, Stayart & Co., Inc.

STEPHENS, JOHN D.
First National Bank

STEVENSON, O. ROY
Fort Worth National Bank, Fort Worth

STONE, J. S.
Rauscher, Pierce & Co.

STORIE, WILLIAM STEWART
First Southwest Company

TAYLOR, W. ALLEN
E. F. Hutton & Company

TEMPLE, ROBERT F.
Southwestern Securities Company

TEMPLE, T. D.
Walker, Austin & Waggener

THALHEIMER, LOUIS L.
Carothers & Co., Inc.

THOMAS, J. E. W.
Keith Reed & Company

THOMAS, RODERICK B.
Dallas Rupe & Son

THOMAS, Jr., R. BRUCE
Dallas Rupe & Son

THORNTON, JEROME
Rauscher, Pierce & Co.

THWEATT, JEAN E.
Sanders & Newsom

TUCKER, ALLEN
Rauscher, Pierce & Co.

TUCKER, R. G.
R. A. Underwood & Co., Inc.

TUCKER, W. ROY
Dittmar & Company

TURRELLA, E. P.
Dallas Rupe & Son

TURNER, JOHN W.
Eppler, Guerin & Turner

TYSON, EARL A.
Eppler, Guerin & Turner

UNDERWOOD, ROBERT A.
R. A. Underwood & Co., Inc.

UNDERWOOD, Jr., ROBERT A.
R. A. Underwood & Co., Inc.

UTLEY, PAUL
Merrill Lynch, Pierce, Fenner & Beane

VINYARD, EUGENE D.
Central Investment Company of Texas

WAGGENER, NELSON
Walker, Austin & Waggener

WALKER, Jr., THOMAS B.
Equitable Securities Corporation

WALKER, WILLARD E.
Walker, Austin & Waggener

WALTON, D. E.
Fort Worth National Bank, Ft. Worth

WARD, R. L.
Dallas Union Securities Corporation, Ft. Worth, Texas

WEIL, I. H.
Dallas Rupe & Son

WIGLEY, Jr., ROBERT
E. F. Hutton & Company

WRIGHT, J. CARL
Central Investment Company of Texas

Alabama Security Dealers Association

Lewis J. Odess

Ogden Shropshire

Weldon W. Doe

George B. Alexander

John B. Cox, Jr.

President: Lewis J. Odess, *Odess, Martin & Herzberg, Incorporated,* Birmingham.

First Vice-President: Ogden Shropshire, *Shropshire & Company,* Mobile.

Second Vice-President: Weldon W. Doe, Jr., *Sellers, Doe & Company,* Montgomery.

Secretary: George B. Alexander, *Conville & Co.,* Birmingham.

Treasurer: John B. Cox, Jr., *Birmingham Trust National Bank,* Birmingham.

National Committeemen: Alonzo H. Lee, *Sterne, Agee & Leach;* Lewis J. Odess, *Odess, Martin & Herzberg, Incorporated.*

Elected: January, 1954; Took Office: January, 1954; Term Expires: January, 1955.

ROSTER OF MEMBERS

ADAMS, RALPH E.
Berney Perry & Company, Inc., Birmingham

AGEE, RUCKER
Sterne, Agee & Leach, Birmingham

ALEXANDER, GEORGE B.
Conville & Company, Birmingham

ALLISON, Jr., CHARLES J.
Equitable Securities Corporation, Birmingham

ANDRESS, JAMES C.
First National Bank of Mobile, Mobile

ANDREWS, J. WARREN
First National Bank, Montgomery

ANDREWS, O. L.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

ARMSTRONG, ERNEST
Sterne Agee & Leach, Montgomery

BACON, ROBERT S.
First National Bank of Mobile, Mobile

BAXLEY, MARION
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

BONHAM, JOHN A.
Sellers, Doe & Company, Montgomery

BOSWELL, GRADY
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

BOYCE, MILTON S.
Merrill Lynch, Pierce, Fennere & Beane, Birmingham

BRODNAX, MARION J.
Brodnax & Knight, Inc., Birmingham

BROWN, C. BLYTHE
Cumberland Securities Corporation, Birmingham

BRYANT, HOMER
Odess, Martin & Herzberg, Incorporated, Tuscaloosa

CANBY, YARDLEY P.
Courts & Co., Birmingham

CARLISLE, JUDSON
Sterne, Agee & Leach, Birmingham

CARLSON, Jr., Robert H.
Carlson & Co., Birmingham

COHEN, MORTIMER A.
Sterne, Agee & Leach, Montgomery

COX, JOHN B., Jr.
Birmingham Trust National Bank, Birmingham

CROW, JAMES S.
First National Bank of Birmingham, Birmingham

CRUMPTON, TOM U.
T. U. Crumpton & Co., Inc. Birmingham

DARBY, Jr., NOLAN C.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

DENSON, HARRY
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

DOE, WELDON
Sellers, Doe & Company, Montgomery

EDDINS, JOHN O.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

ELIASBERG, JULIEN
Selma

FORE, ROBERT B.
First National Bank of Birmingham, Birmingham

FRAZER, FRANK B.
Shropshire & Company, Mobile

HAWORTH, HOWARD H.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

HAYLEY, FRED A.
Merchants National Bank, Mobile

HECHT, GEORGE
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

HENDRIX, JAMES R.
Hendrix & Mayes, Inc., Birmingham

HERZBERG, BERNARD F.
Odess, Martin & Herzberg, Inc., Birmingham

HODGES, Jr., C. O.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

HOLLEMAN, S. BROOKS
Hugo Marx & Co., Montgomery

HUBBARD, CHARLES C.
Hendrix & Mayes, Inc., Montgomery

HYDINGER, EB S.
Carlson & Co., Birmingham

JEMISON, Jr., JOHN S.
Marx & Co., Birmingham

KNIGHT, Jr., ROY W.
Brodnax & Knight, Inc., Birmingham

KNOWLES, BEN
Merrill Lunch, Pierce, Fenner & Beane, Montgomery

LEACH, EDMUND C.
Sterne, Agee & Leach, Montgomery

LEE, ALONZO H.
Sterne, Agee & Leach, Birmingham

LOMBARDO, JOSEPH P.
Stubbs, Smith & Lombardo, Inc., Birmingham

LONG, KENNETH
Carlson & Co., Birmingham

LYNN, HENRY S.
Sterne, Agee & Leach, Birmingham

MARTIN, ELBERT H.
Odess, Martin & Herzberg, Inc., Birmingham

MARX, V. HUGO
Hugo Marx & Company, Birmingham

MARX, Jr., V. HUGO
Hugo Marx & Company, Birmingham

MARX, WILLIAM
Hugo Marx & Company, Birmingham

MASTERS, ERNEST
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

MAYES, HAROLD B.
Hendrix & Mayes, Inc., Birmingham

McREE, S. A.
Carlson & Co., Birmingham

MOHR, SIDNEY J.
Thornton, Mohr & Farish, Montgomery

MONTGOMERY, CHARLES H.
Odess, Martin & Herzberg, Incorporated, Birmingham

MORROW, Jr., HUGH
Watkins, Morrow & Company, Birmingham

NABERS, DRAYTON
First National Bank, Birmingham

ODESS, LEWIS J.
Odess, Martin & Herzberg, Inc., Birmingham

PERRY III, TUNSTALL B.
Berney Perry & Company, Inc., Birmingham

PERRY, W. BERNEY
Berney Perry & Company, Inc., Birmingham

PILL, HOWARD E.
Crescent Finance & Investment Co., Inc., Montgomery

ROANE, NELSON
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

SCHULHAFER, LOUIS
Odess, Martin & Herberg, Inc., Birmingham

SELLERS, PHILLIP A.
Sellers, Doe & Company, Montgomery

SHIVER, JR., JOHN R.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

SHROPSHIRE, OGDEN
Shropshire & Company, Mobile

SMITH, HENRY M.
Stubbs, Smith & Lombardo, Inc., Birmingham

STANSEL, ARTHUR
Courts & Company, Birmingham

STERNE, MERVYN H.
Sterne, Agee & Leach, Birmingham

STUBBS, Jr., GEORGE H.
Stubbs, Smith & Lombardo, Inc., Birmingham

THORNTON, J. MILLS
Thornton, Mohr & Farish, Montgomery

THORNTON, Jr., J. MILLS
Thornton, Mohr & Farish, Montgomery

TURNER, LEO C.
Marx & Company, Birmingham

TUTWILER, ALLEN
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

ULMER T. CLYDE
Courts & Company, Birmingham

VINCENTELLI, JOHN
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

WALKER, JOSEPH
Equitable Securities Corporation, Birmingham

WATKINS, Jr., MILES A.
Stubbs, Smith & Lombardo, Inc., Birmingham

WATKINS, WARNER S.
Watkins, Morrow & Company, Birmingham

WATKINS, Jr., WARNER S.
Watkins, Morrow & Co., Birmingham

WOOD, GEORGE M.
George M. Wood & Company, Montgomery

WOOD, JR., GEORGE M.
George M. Wood & Company, Montgomery

YARDLEY, THOMAS K.
Hendrix & Mayes, Inc., Birmingham

Mr. & Mrs. Henry Perenon, *Henry F. Swift & Co.*, San Francisco

Checking in for Convention at the Claridge

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First Vice-President: Nicholas E. FonEisen, *Fahnestock & Co.*, Hartford, Conn.

Second Vice-President: William H. Rybeck, *William H. Rybeck & Company*, Meriden.

Secretary-Treasurer: A. Maurits Johnson, *G. H. Walker & Co.*, Bridgeport.

Governors: Gordon H. N. Libby, *Coburn & Middlebrook, Incorporated*, Hartford; George L. Austin, *G. L. Austin & Co.*, Hartford; Robert B. Calvert, *Schirmer, Atherton & Co.*, Hartford; Richard W. Wilde, *Conning & Co.*, Hartford; Harold I. Dyer, *Eddy Brothers & Co.*, Hartford.

National Committeeman: Gordon H. N. Libby, *Coburn & Middlebrook, Incorporated*, Hartford.

Alternate: Adolph G. Starkel, *Putnam & Co.*, Hartford.

Elected: October, 1953; Took Office: January, 1954; Term Expires: December, 1954.

ROSTER OF MEMBERS

(Members located in Hartford unless otherwise indicated)

AUSTIN, GEO. L.
G. L. Austin & Co.

BEAKEY, EDWARD
Eddy Brothers & Co.

BLIGH, ROBERT A.
Fahnestock & Co., Torrington

BLOODGOOD, JR., FRANK P.
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BOWMAN, ALFRED H.
Fahnestock & Co.

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Edward M. Bradley & Co., Inc.
New Haven

BRESLAV, WALTER
G. H. Walker & Co., Bridgeport

CALVERT, ROBERT B.
Schirmer, Atherton & Co.

CILENTO, FRANK E.
Shearson, Hammill & Co.

CLAPP, CLARENCE B.
Cooley & Company

CLARK, MYRON H.
Estabrook & Co.

CLEMENCE, ROBERT H.
R. L. Day & Co.
New Haven

COHAN, HARRY D.
Denton & Co., Inc.

CONNER, EARL W.
Maples & Goldschmidt, South Norwalk

COOK, AARON
Putnam & Co.

COX, FREDERIC R.
New Haven

DOCKHAM, GEORGE A.
Hincks Bros. & Co., Inc., Bridgeport

DYER, HAROLD I.
Eddy Brothers & Co.

ENGLISH, JAMES P.
Cooley & Company

FAUST, HAROLD E.
Equitable Securities Corporation

FON EISEN, NICHOLAS E.
Fahnestock & Co.

GRAHAM, JOHN E.
G. H. Walker & Co.

GRAHAM, REGINALD E.
New Haven

HEGEMAN, ARTHUR W.
Hegeman & Co., Stamford

HOLMAN, WILLIAM D.
Putnam & Co.

HUNGERFORD, DONALD E.
Robert C. Buell and Company

HURLBERT, GORDON C.
E. T. Andrews & Co., West Hartford

JACOBS, DONALD B.
Conning & Co.

JOHNSON, A. MAURITS
G. H. Walker & Co., Bridgeport

KEEFE, JR., HARRY V.
R. L. Day & Co.

KENNEDY, JOSEPH R.
Kennedy-Peterson, Inc.

KNABLEIN, RUDOLPH L.
Hincks Bros. & Co., Inc., Bridgeport

LIBBY, GORDON H. N.
Coburn & Middlebrook, Incorporated

MAIGRET, NORMAN
Coburn & Middlebrook, Incorporated

MELIA, THOMAS F.
The R. F. Griggs Company, Waterbury

MORGAN, DANIEL J.
T. L. Watson & Co., Bridgeport

MORRIS, ROBERT S.
Robt. S. Morris & Co.

MURRAY, FRANK J.
Laird, Bissell & Meeds
New Haven

PAZERA, ALPHONSE L.
The R. F. Griggs Company, Waterbury

RYBECK, WILLIAM H.
William H. Rybeck & Company, Meriden

SAMUELSON, ARTHUR O.
George C. Lane & Co. Inc., New Haven

SHAW, JOHN H.
McClure and Shaw

SHURE, JOSEPH
Bache & Co., New Haven

STARKEL, ADOLPH G.
Putnam & Co.

STEINER, S. JACKSON
Jackson Steiner & Co., Inc.

SUTTON, FREDERICK T.
White, Weld & Co., New Haven

SWAN, LESLIE B.
Chas. W. Scranton & Co., New Haven

SWEENEY, WILLIAM J.
Sweeney & Company, New Britain

TACKUS, ANDREW L.
Putnam & Co.

THENEBE, CHARLES E.
Charles E. Thenebe & Associates

WEISKE, F. RICHARD
A. M. Kidder & Co., Bridgeport

WILDE, RICHARD W.
Conning & Co.

San Francisco Security Traders Association

Walter Vicino

Henry Perenon

John A. Costello

President: Walter Vicino, *Blyth & Co., Inc.*

Vice-President: Henry Perenon, *Henry F. Swift & Co.*

Secretary-Treasurer: John A. Costello, *American Trust Company*

Directors: Ralph H. Brown, *Stone & Youngberg;* Maury J. Kessler, *Wells Fargo Bank & Union Trust Co.;* John F. Sullivan, *First California Company Incorporated;* Earl Thomas, *Dean Witter & Co.*

Elected: December 11, 1953; Took Office: January 1, 1954; Term Expires: December 31, 1954.

ROSTER OF MEMBERS

(Members located in San Francisco unless otherwise indicated)

ABRAHAMSON, RICHARD W.
Weeden & Co.

ACHARD, ELIZABETH
Elworthy & Co
(Honorary Member)

BAILEY, WILLIAM J.
Wilson, Johnson & Higgins

BAKER, Jr., FRED A.
Dean Witter & Co.

BARKER, STEWART S.
Crocker First National Bank

BAUM, Jr., BENJAMIN J.
Stone & Youngberg

BEEBE, H. E.
J. S. Strauss & Co.

BELKNAP, WILLIAM
William R. Staats & Co.

BELLIZI, JOSEPH
Walston & Co.

BLUM, ERNEST E.
Brush, Slocumb & Co.

BORDEN, THOMAS W.
Weeden & Co.

BOURNE, ROBERT K.
Harold W. Lutich & Co.

BOWYER, FRANK
Schwabacher & Co.

BROWN, RALPH
Stone & Youngberg

BUICK, JOHN E.
American Trust Company

CARSON, GEORGE F.
Reynolds & Co.

COSTELLO, JOHN A.
American Trust Company

DAVIDSON, H. HODGE
Davidson & Co.

De MARTINI, LEONARD
Sutro & Co.

DONDERO, WILLIAM
First California Company

DREIFUS, JR., CHARLES
A. G. Becker & Co., Incorporated

EGAN, JOHN F.
First California Company

ENGLISH, GIFFORD M.
E. F. Hutton & Company

FARRELL, WILLIAM
Irving Lundborg & Co.

FAULKNER, WILLIAM C.
Wulff, Hansen & Co.

FAZACKERLEY, KENNETH
Irving Lundborg & Co.

FINNEGAN, JOHN FRANCIS
Hannaford & Talbot

FORD, JACK

FRESE, HERMAN G.
San Carlos

GIANTI, RICHARD
Francis I. du Pont & Co.

GOREY, WALTER C.
Walter C. Gorey Co.

GUMBEL, GEORGE G.
J. Barth & Co.

HARKINS, CHARLES B.
Blyth & Co., Inc.

HEWITT, ALBERT A.
First California Company

HILL, Jr., HOUSTON
J. S. Strauss & Co.

HOWARD, LESLIE
Brush, Slocumb & Co.

HOWARD, McBURNEY
The First Boston Corp.

IMHOF, JAMES R.
Frank Knowlton & Co., Oakland, Calif.

ISAACS, PAUL E.
Sutro & Co.

JANK, CHARLES E.
Frank Knowlton & Co., Oakland

JENKINS, ROBERT
Davis, Skaggs & Co.

JORDAN, III, JAMES O.
Hill Richards & Co.

KAMMERER, GEORGE G.
J. S. Strauss & Co.

KANE, CHARLES B.
Walter C. Gorey Co.

KESSLER, MAURY J.
Wells Fargo Bank & Union Trust Company

KOCH, GENE
First Boston Corporation

LAMPERTI, ANGELO
Lawson, Levy & Williams

LARKIN, EMMETT A.
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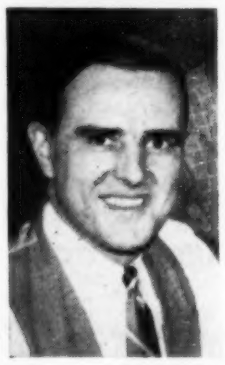
Joseph H. Sullivan



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Elected: December 4, 1953; Took Office: December 4, 1953; Term Expires: December, 1954.

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Johnson & Johnson

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Johnson & Johnson

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(Continued on page 44)

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Pittsburgh Securities Traders Association

(Continued from page 43)

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Security Traders Association of Detroit And Michigan, Inc.

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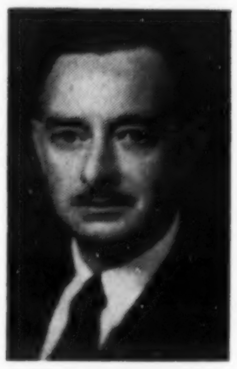

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Elected: September, 1954; Took Office: October 1, 1954.

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Reid, Higbie & Company

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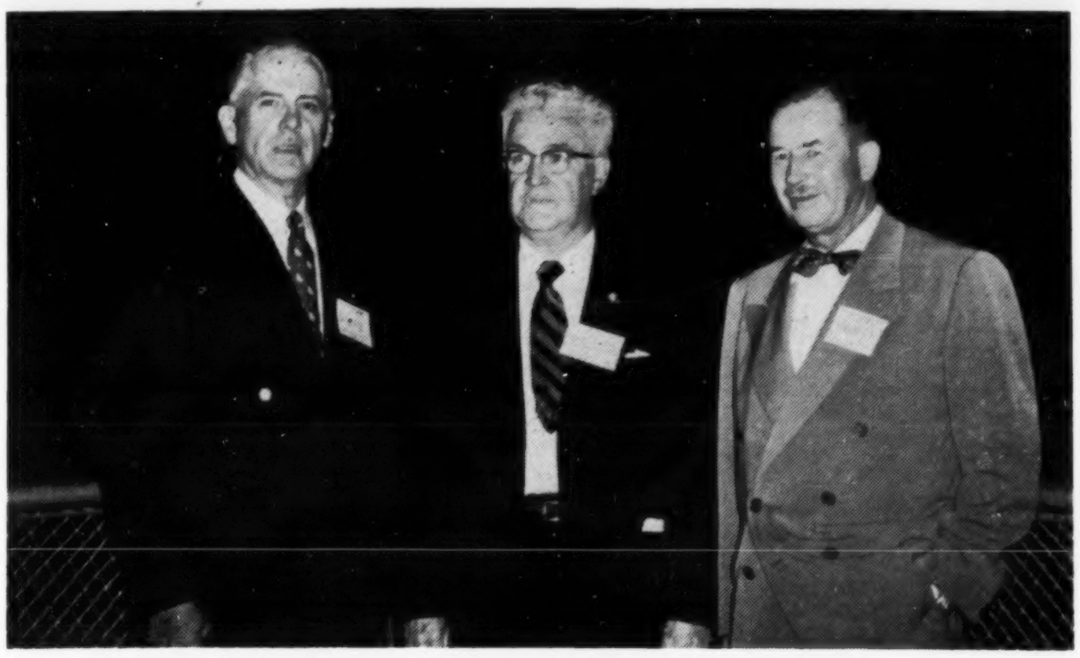

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(Continued on page 48)

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(Continued from page 47)

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Elected: July 17, 1953; Took Office: January 1, 1954; Term Expires: January 1, 1955.

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But the average person understands better two amazing things that happen when he listens to it:

1. **Upper register sounds are heard with a clarity and brilliance unlike anything he has heard before, and**
2. **No matter where he sits, he hears the sound equally well.**

Behind these two simple facts lies one of the great stories of modern electronic research, and a new achievement by Philco engineers.

The basic problem stemmed from the tremendous advances of recent years in techniques for *recording* sound. The development of high fidelity tapes, microphones, amplifiers, and pick-ups have made it possible to put on records sound so close to the original it can scarcely be told apart.

Suddenly the weak link in the chain had become *reproducing* this sound for mass enjoyment in the home.

The difficulty lay in the limitations of the conventional *cone* type speaker, where the driving force is confined to a small circle in the diaphragm's center. This opens the door to severe distortion in the upper register. Also the cone tends to radiate sound in a narrow beam that deprives listeners at the sides of full enjoyment.

Philco engineers whipped the first problem by evolving a new type of speaker in which the driving force is applied *uniformly* over the whole diaphragm surface.

And they solved the radiation problem by developing a half-cylinder colonnade of 16 sections, with each delivering the sound through an arc of 11¼° to cover a total of 180°.

This new Philco Electrostatic Speaker makes it possible, for the first time, for everyone sitting anywhere in front of the speaker, to hear full High Fidelity sound.

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Here, once again, Philco scientists, engineers, and production experts have teamed together to contribute the kind of significant development that has made *Philco* the name for leadership in Television . . . Radio . . . Air Conditioning . . . Electric Ranges . . . Refrigeration . . . and Freezers.

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LANFORD, LOUIS A.
Hill, Crawford & Lanford, Inc.
Little Rock, Ark.

LEE, Jr., GARNETT O.
Scott, Horner & Mason, Inc.,
Richmond, Va.

LEVY, ROBERT E.
Robert E. Levy & Co., Waco, Texas

LEWIS, Jr., EDWARD S.
Lewis & Company, Jackson, Miss.

MacDONALD, J. E.
Pemberton Securities Limited
Vancouver, B. C., Canada

MAIN, IAN D.
Dominion Securities Corp. Limited
Vancouver, B. C., Canada

MASON, WALTER G.
Scott, Horner & Mason, Inc.
Lynchburg, Va.

McGANN, ALBERT
Albert McGann Securities Co., Inc.
South Bend, Ind.

PESELL, WILLIAM B.
Estes & Co., Inc., Topeka, Kans.

PHILIPSON, MAX
Philipson and Company, Utica, N. Y.

PHILLIPS, BLAIR A.
The White-Phillips Company, Inc.
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Bache & Co., Milwaukee, Wis.

REISSNER, FRANK L.
Indianapolis Bond & Share Corporation
Indianapolis, Ind.

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H. L. Shaffer & Co., Amarillo, Texas

SMITH, MARK A.
F. W. Craigie & Co., Richmond, Va.

STEWART, HAROLD S.
Harold S. Stewart & Company, El Paso, Texas

STRADER, LUDWELL A.
Strader, Taylor & Co., Inc.
Lynchburg, Va.

TAYLOR, CLARENCE E.
Strader, Taylor & Co., Inc.
Lynchburg, Va.

THORNHILL, G. ERNEST
Wyllie and Thornhill,
Charlottesville, Va.

VAVRA, JOHN S.
John S. Vavra & Co., Cedar Rapids, Iowa

VIDRICAIRE, HECTOR J.
James Richardson and Sons
Montreal, Que., Canada

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Walton & Company, Inc.
Little Rock, Ark.

WALTON, OTIS B.
O. B. Walton and Company
Jackson, Miss.

WARNER, FREDERICK
Cruttenden & Co., Lincoln, Neb.

WHEAT, Jr., JAMES C.
J. C. Wheat & Co., Richmond, Va.

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Quail & Co., Davenport, Iowa

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Alternates: Jay L. Quigley, *Quigley & Co., Inc.;* Corwin L. Liston, *Prescott & Co.*
Elected: December, 1953; Took Office: January, 1954; Term Expires: December, 1954.

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Continued from page 21

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KENNY, GEORGE P.
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KING, THOMAS E.
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KINZIE, HENRY B.
Baker, Simonds & Co.
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KIPP, JOHN D.
A. G. Becker & Co. Inc.
Chicago, Ill.

KLINGLER, JOHN F.
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Philadelphia, Pa.

*KNAPP, REGINALD J.**
Wertheim & Co.
New York City

*KNOB, JOHN E.**
Drexel & Co.
Philadelphia, Pa.

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Blyth & Co., Inc.
Cleveland, Ohio

*KOSEK, ERNEST**
Ernest Kosek & Co.
Cedar Rapids, Iowa

*KOSTERMAN, P. A.**
Zilka, Smithers & Co., Inc.
Portland, Ore.

KRASOWICH, JOSEPH
Bonner & Gregory
New York City

KRISAM, WILBUR
John C. Legg & Company
New York City

KRUG, THOMAS B.
Bioren & Co.
Philadelphia, Pa.

*KRUMHOLZ, NATHAN A.**
Siegel & Co.
New York City

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The First Boston Corp.
New York City

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Jos. J. Lann Securities
New York City

LARSON, HENRY N.
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Boston, Mass.

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E. F. Hutton & Co.
Kansas City, Kan.

LEAHY, CRANDON
National Quotation Bureau
Boston, Mass.

LEARY, A. M.
Barrow, Leary & Co.
Shreveport, La.

*LEBEAU, IRVING C.**
May & Gannon, Inc.
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LEE, ALONZO H.
Sterne, Agee & Leach
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Charles A. Parcells & Co.
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Cleveland, Ohio

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Paul & Lynch
Philadelphia, Pa.

LYNCH, JAMES J.
Paul D. Sheeline & Co.
Boston, Mass.

*McATEE, JAMES J.**
Butcher & Sherrerd
Philadelphia, Pa.

McBRIDE, C. W.
Midland Securities Corp.
Toronto, Can.

Continued on page 68

Walter G. Mason, *Scott, Horner & Mason, Inc.;* Lynchburg, Va.; James B. Dean, *J. W. Tindall & Company,* Atlanta, Ga.; Mrs. Nell Sheppard, *Southwestern Securities Company,* Dallas; Samuel P. Johnson, *Southwestern Securities Company,* Dallas; J. D. Chesnut, *J. W. Tindall & Company,* Atlanta, Ga.

Alonzo H. Lee, *Sterne, Agee & Leach,* Birmingham, Ala.; John N. Fuerbacher, *Walter, Woody & Heimerdinger,* Cincinnati; Robert N. Ewing, *A. E. Masten & Co.,* Wheeling, W. Va.; Eugene F. Willis, *J. W. Tindall & Company,* Atlanta, Ga.; Ralph C. Deppe, *Edward D. Jones & Co.,* St. Louis; Elmer G. Longwell, *Boettcher and Company,* Denver

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William W. Argall

William E. Sweet, Jr.

Ernest G. Schlenzig

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Vice-President: William W. Argall, *Boettcher and Company.*

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Alternates: Orville Neely, *Merrill Lynch, Pierce, Fenner & Beane.*

Elected: December 9, 1953; Took Office: January 1, 1954; Term Expires: December 31, 1954.

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(Members located in Denver unless otherwise indicated)

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The International Trust Co.

ADAMS, FREDERIC A.

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ALFF, JOHN H.
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ASHLEY, LEO C.
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AYERS, ROSCOE
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BACHAR, GARALD D.
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BAKER, DUDLEY F.
Bosworth, Sullivan & Co.

BAKER, ROBERT R.
Don A. Chapin & Co.
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BARKER, FREDERICK F.
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BARWISE, NORMAN C.
Merrill Lynch, Pierce, Fenner & Beane

BATCHELDER, HERMAN
Amos C. Sudler & Co.

BENWELL, OSWALD
Colorado National Bank

BERGER, WILLIAM M. B.
Colorado National Bank

BIRKENMAYER, SR., WILSON C.
Birkenmayer & Co.

BLICKENSDERFER, J. C.
Boettcher and Company

BORLAND, EUGENE W.
Peters, Writer & Chistensen, Inc.
Loveland, Colo.

BOSWORTH, ARTHUR F.
Bosworth, Sullivan & Co.

BOUCHER, ROBERT

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Brereton, Rice & Co., Inc.

BRIDGEWATER, ARTHUR
Central Bank & Trust Company

BROWN, A. W.
American National Bank

BROWN, DONALD F.
Boettcher and Company

BRUNTON, DAVID W.
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BUCHENAU, HARRY E.
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Harris, Upham & Co.

BURKE, ROBERT W.
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BURKHARDT, RICHARD
Boettcher and Company

BUSH, EDWIN
Amos C. Sudler & Co.

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Cruttenden & Co.

CAMPBELL, DONALD
Campbell-Jacobs & Co.

CARROLL, HOWARD
Carroll, Kirchner & Jaquith, Inc.

CHAPIN, DON A.
Don A. Chapin Co.
Fort Collins, Colorado

CHRISTENSEN, E. W.
Peters, Writer & Christensen, Inc.

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Colorado State Bank

CLARK, PHILLIP J.
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Colorado National Bank

COLE, C. L.
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Founders Mutual Depositor Corp.

CONKLIN, W. A.
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Peters, Writer & Christensen, Inc.

COPPS, WARD E.
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COUGHLIN, EDWARD B.
Coughlin and Company

COUGHLIN, WALTER J.
Coughlin and Company

COXHEAD, J. WALLACE
Bosworth, Sullivan & Co.

COXHEAD, Jr., J. WALLACE
Bosworth, Sullivan & Co.

CRANMER, CHAPPELL
Cranmer & Co.

CRAWFORD, JOHN C.
Bosworth, Sullivan & Co.

CRILEY, LAWRENCE
Bosworth, Sullivan & Co.

CRIST, B. P.
The J. K. Mullen Investment Co.

CURRIE, TREVOR

DAVIS, GEORGE
Harris, Upham & Co.

DAVIS, NORMAN
Merrill Lynch, Pierce, Fenner & Beane

DECKER, MARTIN G.
The United States National Bank of Denver

DENNISON, FRANK
Walter & Co.

DINES, THOMAS

DOLLAR, IVAN
Merrill Lynch, Pierce, Fenner & Beane

DOOLITTLE, CHARLES
Merrill Lynch, Pierce, Fenner & Beane

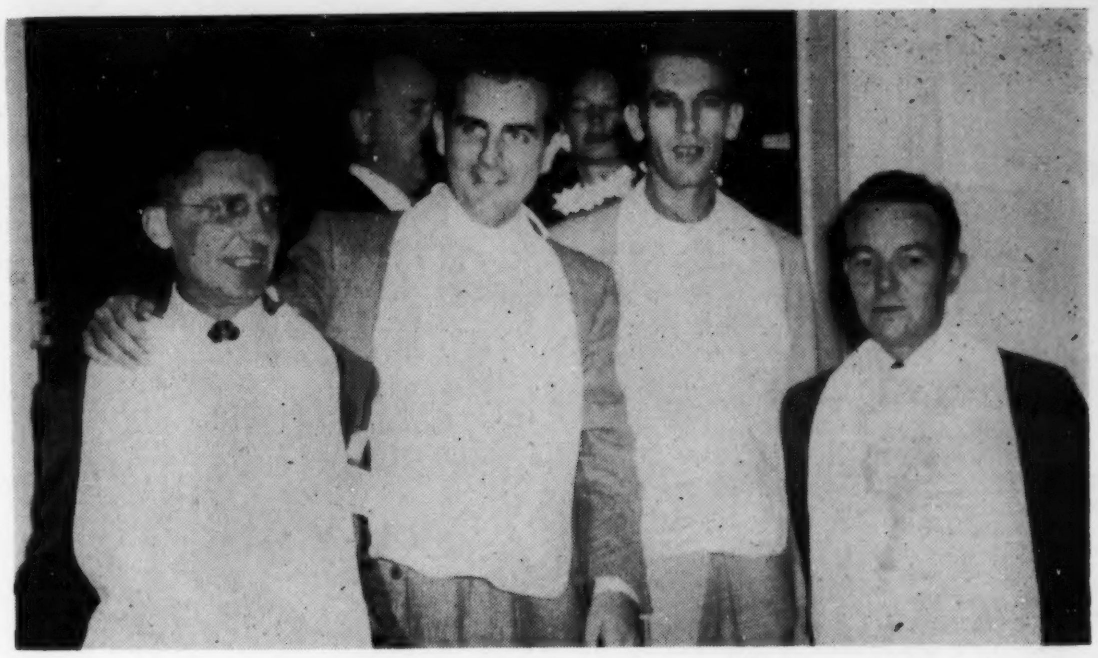
DUNNEBECKE, ROBERT J.
The J. K. Mullen Investment Co.

FISHER, GEORGE
Bosworth, Sullivan & Co.

FLOYD, CLAYTON O.
First National Bank

FORBES, RUSSELL H.
Forbes & Company

Walter V. Bradley, *B. W. Pizzini & Co., Inc.*, New York; Robert M. Pizzini, *B. W. Pizzini & Co., Inc.*; New York; N. Henry Larson, *First Boston Corporation*, Boston; Mr. & Mrs. Jack Christian, *Janney & Co.*, Philadelphia



Spencer L. Corson, *Elkins, Morris & Co.*, Philadelphia; Ed Gilleran, *National Association of Securities Dealers*, Philadelphia; Willard F. Rice, *Eastman, Dillon & Co.*, Philadelphia; Allan Foard, *Stroud & Company, Incorporated*, Philadelphia

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Calvin Bullock

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Central Republic Company

GARRISON, WILIAM J.
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J. A. Hogle & Co.

GRIFFIN, LYNNE
J. A. Hogle & Co.

HACKSTAFF, RICHARD A.
Allen Investment Company, Boulder, Colo.

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HAGGERTY, JOHN P.
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HARDY, PAUL
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HARRIS, GEORGE R.
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HUNT, HARRY E.
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Campbell, Jacobs & Co.

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First National Bank

KIRCHNER, ROBERT M.
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KLEIN, WILLIAM J.
United States National Bank of Denver

KONOPKA, BRUNO
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Denver National Bank

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McCABE, WILLIAM E.
McCabe, Hanifen and Company

McCONNELL, FRANK A.
Boettcher and Company

McCONNELL, FRANK T.
Cruttenden & Co.

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Greeley, Col.

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Peters, Writer & Christensen, Inc.

PARKER, EVERETT

PATTERSON, DONALD L.
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(Continued on page 62)

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Mr. & Mrs. Harry J. Hudepohl, *Westheimer & Co.*, Cincinnati; Miss Mona Rabinowitz; *J. W. Hicks & Co.*, Denver; George H. Earnest, *Fewel & Co.*, Los Angeles

Bond Club of Denver

(Continued from page 61)

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Harris, Upham & Co.

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Harris, Upham & Co.

SAYRE, LESLIE L.
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SCHLENZIG, E. G.
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STONE, ERNEST E.
Stone, Moore & Company

SUDLER, AMOS C.
Amos C. Sudler & Co.

SULLIVAN, JOHN J.
Bosworth, Sullivan & Co.

SWAN, HENRY
The United States National Bank of Denver

SWEET, WILLIAM
Peters, Writer & Christensen, Inc.

TALBOTT, J. L.
Carroll, Kirchner & Jaquith, Inc.

TALLMADGE, MYLES P.
Tallmadge & Tallmadge

TALLMADGE, ROBERT
Tallmadge & Tallmadge

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King Merritt & Co.

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Coughlin and Company

VAN DERVORT, R. G.
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VERNER, OGDEN C.
Merrill Lynch, Pierce, Fenner & Beane

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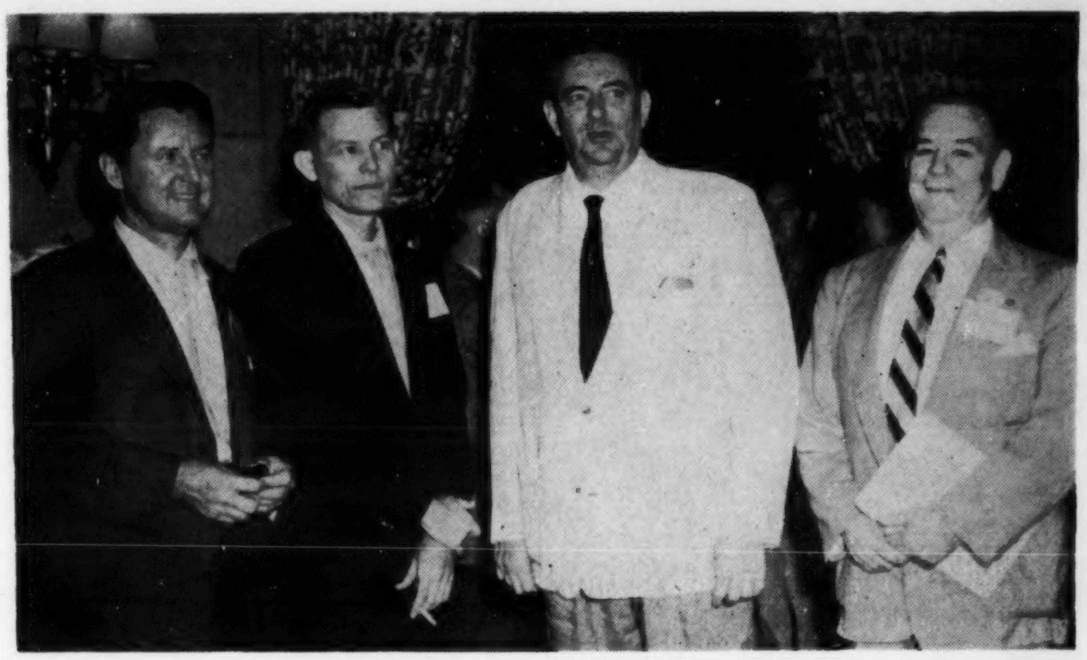

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*McCLEARY, GEORGE M.**
McCleary & Co., Inc.
St. Petersburg, Fla.

*McCOOK, ROBERT**
Hecker & Co.
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McCULLEN, WM. J.
Hendricks & Eastwood
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Chas. A. Taggart & Co., Inc.
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Adolph G. Starkel, *Putnam & Co.,* Hartford, Conn.; Mrs. Warren Foster, Cleveland; Donald B. Stephens, *Cruttenden & Co.,* Chicago, Ill.

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Leedy, Wheeler, & Alleman, Inc., Orlando, Fla.

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Public Utilities and Area Development

ices. Here is one of the Silver Budd diesel cars which hit 90 mph. and are air conditioned — and here is one of the new diesel locomotives replacing the old "puffers" which are picturesque but expensive to operate.

Going back for a moment, you will easily trace the next phase of area development by remembering how the automobile took America by storm. Here are the cars in which Lew Jacoby courted his wife—on your right—and the car Lew now uses for conventions and clients—on your left.

New Jersey has been forward-looking regarding highways. This is a small State and it is the crossroads of the East, as our friends at Public Service have so aptly styled it. So we have more highways and more trucks per square mile than any other State.

You can see that Southern New Jersey is well woven with highways. We have some 4,500 miles of Roads, yet the area is only 60 miles each way. You will note a vital difference between Southern New Jersey and the congested belts of cities between Philadelphia and New York. Here the land is nearly half wooded and half in farms—the inland towns are all small towns as we think of that truly American institution. The hundreds of black-top farm-to-market roads built in the '20s and '30s don't carry Lew's Buick and modern trucks at a mile-a-minute as today's commerce demands.

So we've built and improved pikes and there is a new Route 44 Freeway up our side of the Delaware Valley which the Governor dedicated last month.

Here is the fabulous New Jersey Turnpike which Paul Troast told about at luncheon today. As he said, it is carrying traffic volumes which were predicted for 1982.

At the foot of the Turnpike, the Pennsville Ferry was inadequate, and we are fortunate in having the Delaware Memorial Bridge to take its place. This bridge has carried, in its first three years, as much traffic as was predicted for the first 10 years.

Now, coming over here to the Eastern side of our State, we have had a problem in North-South travel. The shore road known as Route 9 could not carry the increasing traffic. Up in the Metropolitan areas, North-South congestion was fierce. So New Jersey got together on the Garden State Parkway and as you know the major portions to Southern New Jersey were opened this summer.

This is a new concept in transportation, and I will leave it to you to judge what **this** means to area development.

In case any ladies in the audience might think I am talking only to the men, there is a story for them in how a parkway is a family affair.

I want to tell you why this is a family affair because **you**, ladies and gentlemen, may have problems back home such as we had. This lovely Garden State Parkway might have been just another commercial road had it not been for the ladies of New Jersey who established some new ideals about transportation several years ago. I refer especially to the Garden Club of New Jersey and the Roadside Council.

One club President said in 1943: "We can take neither pride nor pleasure in driving on present roads, bordered by a continuous litter of billboards and roadside shacks. . . ." "Preserve the great natural beauty. . . . Protect and enhance our scenic roadsides. . . . Make this the Garden State in every sense of the word . . ." said another.

And these valiant ladies would not be turned down, even though legislation failed to pass several times. Eventually, our State did legislate, not only limited-access, but the Garden State Parkway itself.

The pledging of State credit behind the parkway bonds required referendum approval. And this was indeed a family affair up and down the State. The favorable vote was two to one. Many of you helped us finance the parkway—and we are grateful.

Although it took many years to get up to this starting point and to forge the ideals of the true parkway, the $285 million worth of construction you see in these slides took only two years once the highway authority began the job.

Another family aspect, by the way — we have the only lady Commissioner in the United States.

We are particularly proud of the parkway in Southern New Jersey where we face a whole new era of development. This is tomorrow's transportation today. And we are trying to carry this type of ideal over into other aspects of development.

Coming down the parkway we have a new Ciba plant at Toms River and at Pomona, near here, we have the new Lenox China plant. Down at Cape May Court House there's a new unit of Keuffel & Esser.

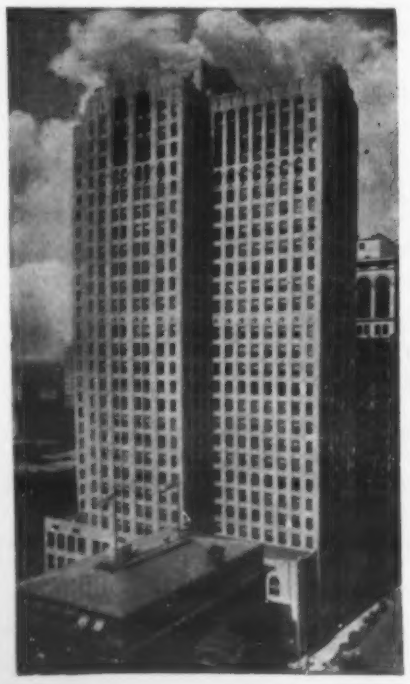
Going across the State, we find the new Socony Vacuum Research Laboratory at Paulsboro—in the modern idiom. Back again through Hammonton, this type of facility for Raynor door from Illinois and a metallurgical plant from overseas.

As I said, the utilities are making sure there will be ample electric service for new area development. Here is a generating station Atlantic City Electric Company has just completed to serve du Pont, Hercules, new homes and other phases of Delaware Valley growth. This is one of the Transmission lines making up the backbone of the grid serving all of Southern New Jersey. The substation shown is one that reduces the voltage of the transmission line to a usable voltage for consumers. This one happens to be located in Bridgeton.

With it all, our area development program features the real American type of citizen-participation in planning and zoning. We're back to the town meeting type of philosophy—in fact Southern New Jersey never lost it. The ladies are in it with the men, and so are the school students in their essays and studies. We like to say we're developing a new frontier—the last of its kind in the East.

I do not believe any generation will ever see any more drastic changes in ways of living than ours has. The transformation in transportation brought about by the automobile and super-highways, the universal use of the electric servant, and many other things are transforming the world.

The key to this surge in area development has been—still is—and always will be, I suppose—transportation. The golden key has been turned in the lock here in Southern New Jersey, and we modestly — yet honestly feel we are opening the door to even brighter days ahead.



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Midwest Stock Exchange

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Albert Theis & Sons, Inc.

FELSTEIN, SAM
Henry, Franc & Co.

FISCHER, JOSEPH S.
Goldman, Sachs & Co.

FISCHER, ROBERT E.
The Boatmen's National Bank of St. Louis

FRANEY, FRANK
Newhard, Cook & Co.

FRIEDMAN, WM. STIX
Semple, Jacobs & Co.

FUSZ, Jr., FIRMIN D.
Fusz-Schmelzle & Co.

GARDNER, FRED W.
Reinholdt & Gardner

GERSTUNG, WILLIAM B.
A. G. Edwards & Sons

GIGER, HAROLD
Cruttenden & Co.

GLASER, EDWIN
Glaser, Vogel & Co.

GODBOLD, EARL
Dempsey-Tegeler & Co.

GRAF, RUDOLPH
G. H. Walker & Co.

GUION, ROBERT H.
Newhard, Cook & Co.

GUMMERSBACH, ALBERT E.
Dempsey-Tegeler & Co.

HAEUSSLER, WALTER C.
Paul Brown & Co.

HAGENSIEKER, EARL
Reinholdt & Gardner

HARRIS, IRWIN R.
Scherck, Richter Company

HARTNETT, WM. H.
Morfeld, Moss & Hartnett

HARVEY, JOSHUA A.
A. G. Edwards & Sons

HEITNER, NORMAN E.
Blewer, Heitner & Glynn

HELLER, IRVIN A.
Newhard, Cook & Co.

HILLE, WILLIAM M.
Metropolitan St. Louis Co.

HOCH, HAWORTH F.
McCourtney-Breckenridge & Co.

HONIG, THEODORE C.
Dempsey-Tegeler & Co.

HOPP, JOHN K.
Taussig, Day & Co., Inc.

HORNING, BERT
Stifel, Nicolaus & Company, Incorporated

HUEBNER, CHARLES
Midwest Stock Exchange

HUMPHRIES, NORMAN D.
Keystone Custodian Funds

JANSEN, KENNETH J.
Edward D. Jones & Co.

JARRETT, ELMER
Newhard, Cook & Co.

JONES, EDWARD D.
Edward D. Jones & Co.

JORDAN, ROY W.
G. H. Walker & Co.

KAUFFMANN, JOHN R.
Semple, Jacobs & Co.

KEANEY, FRANK X.
Stifel, Nicolaus & Company, Incorporated

KELLY, FRED S.
Stifel, Nicolaus & Company, Incorporated

KERR, KENNETH
A. G. Edwards & Sons

KLEIN, ELMER B.
Harvey, Klein & Co., Inc.

LAYTON, VINCENT
Newhard, Cook & Co.

LEVIS, EDWIN
Newhard, Cook & Co.

LOTTMAN, CHAS. S.
Kerwin, Fotheringham & Co., Inc.

LUDWIG, DONALD
Mercantile Trust Company

McKEE, LOGAN
Barrett Herrick & Co., Inc.

MAENDER, CLARENCE J.
G. H. Walker & Co.

MALONE, VINCENT D.
Paul Brown & Co.

MATTHEW, DAVID S.
White & Company

MATTHEWS, ROBERT H.
Scherck, Richter Company

MATTE, JOHN F.
Dempsey-Tegeler & Co.

MEYER, EUGENE J.
Municipal Bond Corp.

MILLS, ANDREW S.
Newhard, Cook & Co.

MILLS, R. G.
R. G. Mills & Company

MITCHELL, THOMAS
Weber-Mitchell & Co.

MOBERLY, RALPH
I. M. Simon & Co.

MOREY, Jr., RICHARD
A. G. Edwards & Sons

MORFELD, EDWARD H.
Morfeld, Moss & Hartnett

MOSS, MORRIS
Morfeld, Moss & Hartnett

NELSON, CLARENCE
The Boatmen's National Bank of St. Louis

NEUWOEHNER, HIRAM
White & Company

NEWCOMB, LOWELL
St. Louis Union Trust Co.

NEWHARD, CHAPIN S.
Newhard, Cook & Co.

NIEMOELLER, JOHN J.
Stifel, Nicolaus & Company, Incorporated

NORDMAN, JOHN
Nordman & Co.

O'BRIEN, JAMES
Mercantile Trust Company

OHLSEN, IRVING R.
Fusz-Schmelzle & Co.

OLDENDORPH, EDWARD
Smith, Moore & Co.

OLSON, WILLIAM T.
Olson, Donnerberg & Co., Inc.

O'NEILL, THOMAS
Eckhardt Petersen & Co., Inc.

PAUL, ROBERT A.
Scherck, Richter Company

PELTASON, CHARLES M.
Peltason, Tenenbaum Co.

PELTASON, PAUL E.
Peltason, Tenenbaum Co.

PITT, ROY
Goldman, Sachs & Co.

POPPER, ELVIN K.
I. M. Simon & Co.

REDDEN, TARLETON
Redden and Company

REDMAN, W. G.
A. G. Edwards & Sons

REIMAN, WM. L.
Edward D. Jones & Co.

REIMER, IRVIN E.
G. H. Walker & Co.

RICHTER, HENRY J.
Scherck, Richter Company

ROACH, HERBERT M.
O. H. Wibbing & Co.

ROBINSON, SPENCER H.
Hill Brothers

SANDERS, DONALD H.
Edwin C. Sanders & Co.

SCHERCK, GORDON
Scherck, Richter Company

SCHIRP, GREGORY J.
Taussig, Day & Co., Inc.

SCHLUETER, B. L.
Newhard, Cook & Co.

SCHMELZLE, ALBERT M.
Fusz-Schmelzle & Co.

SENTURIA, EDWARD
Newhard, Cook & Co.

SESTRIC, MICHAEL J.
Edward D. Jones & Co.

SHAPIRO, SUMNER
Paul Brown & Co.

SLAYTON, HOVEY E.
Slayton & Company, Inc.

SMITH, ELMER C.
U. S. Savings Bond Division
Federal Reserve Bank

SORY, GEORGE
Moody's Investors Service

STAY, WALTER A.
R. G. Mills & Company

STEIN, ELLIOT H.
Scherck, Richter Company

STUEBE, EDWARD
Newhard, Cook & Co.

TAUSSIG, WILLIAM H.
Merrill Lynch, Pierce, Fenner & Beane

TAYLOR, MEL M.
Semple, Jacobs & Co., Inc.

TEGELER, JEROME F.
Dempsey-Tegeler & Co.

TENENBAUM, HARRY
Peltason, Tenenbaum Co.

THEIS, III, ALBERT
Albert Theis & Sons, Inc.

THOMAS, JOHN R.
Blair & Co., Incorporated

VOGEL, LEONARD
Glaser, Vogel & Co.

WALSH, RICHARD H.
Newhard, Cook & Co.

WALSH, ROBERT A.
Dempsey-Tegeler & Co.

WEBB, FRANK X.
C. J. Devine & Co.

WEBER, VINCENT C.
Weber-Mitchell & Co.

WEINRICH, JOSEPH
Dempsey-Tegeler & Co.

WHITE, EDWARD A.
White & Company

WHITE, F. HOWARD
Goldman, Sachs & Co.

WHITE, Jr., JULIAN
White & Company

WICKMANN, W. JACK
Stifel, Nicolaus & Company, Incorporated

WILLER, ERNEST D.
The Boatmen's National Bank of St. Louis

WUEST, HARRY J.
Blewer, Heitner & Glynn

YALEN, EUGENE S.
Reinholdt & Gardner

YATES, Jr., JAMES A.
Hill Brothers

ZAEGEL, JOHN F.
Bramman-Schmidt-Busch, Inc.

ZINZER, HERMAN J.
Dempsey-Tegeler & Co.

Fashion show held for the ladies at luncheon on the final day of the convention at the Claridge Hotel

Joseph Cummings, *Brooke & Co.*, Philadelphia; Ernest Kosek, *Ernest Kosek & Co.*, Cedar Rapids, Iowa

Security Traders Association of Los Angeles

John C. Hecht

James G. Fraser

Robert M. Green

J. Foster Paisley

President: John C. Hecht, *Dempsey-Tegeler & Co.*

Vice-President: James G. Fraser, *Stern, Frank, Meyer & Fox.*

Secretary: Robert M. Green, *Pledger & Company, Inc.*

Treasurer: J. Foster Paisley, *Weeden & Co.*

Governors: Norman Hudson, *R. L. Colburn Co.;* Charles R. Livingstone, *Marache, Dofflemyre & Co.;* A. Shane McOmber, *Revel Miller & Co.*

National Committeemen: James G. Fraser, *Stern Frank, Meyer & Fox;* Lawrence S. Pulliam, *Weeden & Co.;* Sam Green, *Pledger & Co., Inc.*

Alternates: John C. Hecht, Jr., *Dempsey-Tegeler & Co.;* George H. Earnest, *Fewel & Co.;* Joseph Gallegos, *Lester, Ryons & Co.*

Took Office: November, 1953; Term Expires: November, 1954.

ROSTER OF MEMBERS

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ALEXANDER, JACK
Kerr & Bell

ARBOGAST, DONALD
Wagenseller & Durst, Inc.

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Dempsey-Tegeler & Co

BAKERINK, DEL
Paine, Webber, Jackson & Curtis

BARNES, CARL
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William R. Staats & Co.

BETZ, HERMAN
California Bank

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Daniel Reeves & Co., Beverly Hills

BRASSINGTON, ALAN D.
Farmers & Merchants National Bank of Los Angeles

BROWN, MAXFIELD E.
Hemphill, Noyes & Co.

BROWN, WILLIAM E.
E. F. Hutton & Co.

BRUM, JAMES
Shearson, Hammill & Co.

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Calin-Seley & Co.

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Merrill Lynch, Pierce, Fenner & Beane

CARLSEN, THEODORE D.
Harbison & Henderson

CASS, ROBERT G.
Dempsey-Tegeler & Co.

COCKBURN, JAMES D.
Mitchum, Tully & Co.

CRUTTENDEN, ARTHUR S.
William R. Staats & Co.

DAVIES, JR., WILLIAM H.
Dempsey-Tegeler & Co.

DIEHL, ROBERT D.
Paine, Webber, Jackson & Curtis

DORMAN, JOHN
E. F. Hutton & Company

DORROH, WILLIAM W.
Shearson, Hammill & Co.

EARNEST, GEORGE H.
Fewel & Co.

EBNER, Jr., CHARLES L.
Bateman, Eichler & Co.

ENGLE, EDWARD P.
First California Company

EUPER, THOMAS J.
Akin-Lambert Co., Inc.

FETTERS, JOHN J.
Jones, Cosgrove & Miller, Pasadena

FRANKEL, HAROLD C.
Fairman & Co.

FRANKLIN, SAMUEL B.
Samuel B. Franklin & Company

FRASER, JAMES G.
Stern, Frank, Meyer & Fox

FREEMAN, ALVIN R.
Dempsey-Tegeler & Co.

GALLEGOS, JOSEPH F.
Lester, Ryons & Co.

GINN, WILLIAM
Dean Witter & Co.

GLASS, CHESTER M.
William R. Staats & Co.

GREEN, ROBERT M.
Pledger & Co., Inc.

GREEN, SAM
Pledger & Company, Inc.

HALL, MAX
Dean Witter & Co.

HANAUER, JACK B.
J. B. Hanauer & Co., Beverly Hills

HARDCASTLE, PARKMAN
Dean Witter & Co.

HECHT, JOHN C.
Dempsey-Tegeler & Co.

HECHT, JR., JOHN C.
Dempsey-Tegeler & Co.

HENDERSON, ROBERT J.
Neary, Purcell & Co.

HOSKIN, ARTHUR
Walston & Co.

HUDSON, NORMAN
R. L. Colburn & Co.

IMBLER, A. O.
William R. Staats & Co.

IRISH, HERBERT C.
Fairman & Co.

JAMESON, CLAUDE
Standard Investment Co. of California

JOHNSON, WILLIAM A.
Sutro & Co.

KEENAN, JOHN J.
Morgan & Co.

KELLER, THOMAS H.
Fewel & Co.

KIRWAN, NICHOLAS P.
Dean Witter & Co.

KNOBLOCK, SIDNEY C.
Crowell, Weedon & Co.

KRAFT, OSCAR F.
Oscar F. Kraft & Co.

KRAFT, OSCAR F., JR.
Oscar F. Kraft & Co.

KRAFT, VERNER HARRIS
Oscar F. Kraft & Co.

LINK, FRANK
Harris, Upham & Co.

LIPPMAN, WILLIAM A., Jr.
Holton, Hull & Co.

LIVINGSTONE, CHARLES
Marache, Dofflemyre & Co.

LUEKER, CLEMENS T.
Hill Richards & Co.

MANWARING, JOSEPH R.
First California Company

McCREADY, A. WILLIAM
Revel Miller & Co.

McGAY, HAROLD
Title Insurance & Trust Co.

McOMBER, A. SHANE
Revel Miller & Co.

MILLER, WILLIAM A.
Crowell, Weedon & Co.

MODRELL, PAUL
Blyth & Co., Inc.

NEVINS, JOHN R.
Lester, Ryons & Co.

NOBLE, CHESTER A.
Noble, Tulk & Co.

O'NEIL, RICHARD R.
Fairman & Co.

O'NEIL, T. DONALD
J. Barth & Co.

OWEN, RICHARD E.
Crowell, Weedon & Co.

PAISLEY, J. FOSTER
Weeden & Co.

POINDEXTER, CLIFFORD E.
Wagenseller & Durst, Inc.

PULLIAM, LAWRENCE S.
Weeden & Co.

RAMPLEY, CHARLES
Dempsey-Tegeler & Co.

REES, DAVID
"The Mirror" (Honorary)

REEVES, JAMES A.
Akin-Lambert Co., Inc.

RICHARDS, JOHN
Harker & Co.

RYONS, JOSEPH L.
Lester, Ryons & Co.

SANDIFER, ROBERT
Los Angeles "Times" (Honorary)

SHEEDY, PATRICK H.
Fairman & Co.

SHIPLEY, CLIFFORD D.
E. F. Hutton & Company

SHIPLEY, FOREST W.
Morgan & Co.

SILLICK, JACK
Paine, Webber, Jackson & Curtis

SPILLANE, TIMOTHY D.
J. A. Hogle & Co.

STOUT, SCOTT
Shearson, Hammill & Co.

SUMMERELL, DONALD E.
Wagenseller & Durst, Inc.

TURNER, STEPHEN C.
Wagenseller & Durst, Inc.

TUTTLE, GORDON B.
Gross, Rogers, Barbour, Smith & Co.

VAN ARSDALE, NIELAND B.
Blyth & Co., Inc.

WARD FRANK J.
Merrill Lynch, Pierce, Fenner & Beane

WARNES, ROY C.
Shearson, Hammill & Co.

WEBSTER, WILLIAM
Bateman, Eichler & Co.

WELLER, JOHN
Wagenseller & Durst, Inc.

WESSENDORF, JR., HOMER
Mitchum, Tully & Co.

WHEELER, JOHN E.
Hill Richards & Co.

WRIGHT, WILLIAM L.
Lester, Ryons & Co.

WRITER, JOSEPH
Walston & Co.

ZIMMERMAN, WILLIAM J.
Bingham, Walter & Hurry, Inc.

ZINK, JAMES
First California Company, Incorporated

C. W. McBride, *Midland Securities Corp.*, Toronto; Bellman H. Mason, *Anderson & Co.*, Toronto; Charles W. Goodeve, *F. B. Ashplant & Co.*, New York; Winton A Jackson, *First Southwest Company*, Dallas

John F. Reilly *Gearhart & Otis, Inc.*, New York; Dunbar Abell, *Reed, Lear & Co.*, New York; Robert McCook, *Hecker & Co.*, Philadelphia; Richard H. Goodman, *Shields & Company*, New York; John F. Klingler, *First Boston Corporation*, Philadelphia

Continued from page 69

In Attendance at NSTA Convention

*OHLANDT, JOHN D.**
New York Hanseatic Corp
New York City

O'KANE, JOHN J., Jr.
John J. O'Kane, Jr. & Co.
New York City

*ORNSTIL, SYDNEY**
Wm. V. Frankel & Co., Inc.
New York City

*PARKER, JOHN E.**
H. A. Riecke & Co.
Philadelphia, Pa.

*PARKER, SHELDON H.**
Kay, Richards & Co.
Pittsburgh, Pa.

PARKES, NEWTON H., Jr.
New York Hanseatic Corp.
Philadelphia, Pa.

*PARSONS, E. E., Jr.**
Parsons & Co., Inc.
Cleveland, Ohio

*PATTERSON, HAROLD C.**
Securities & Exchange Commission, Washington, D. C.

*PERENON, HENRY**
Henry F. Swift & Co.
San Francisco, Calif.

PETTEY, HERBERT
Equitable Securities Corp.
Nashville, Tenn.

*PINKUS, MILTON**
Troster, Singer & Co.
New York City

*PIZZINI, B. WINTHROP**
B. W. Pizzini & Co.
New York City

PIZZINI, ROBT. M.
B. W. Pizzini & Co.
New York City

PLUMRIDGE, THEODORE E.
Eastern Securities Corp.
New York City

*POLLICK, JOHN P.**
Swift, Henke & Co.
Chicago, Ill.

PORTER, CLAUDE G.
Baker, Simonds & Co.
Detroit, Mich.

*POWELL, ALFRED L.**
Alfred L. Powell & Co.
New York City

PULLIAM, LAWRENCE S.
Weeden & Co.
Los Angeles, Calif.

QUIGLEY, J. L.
Quigley & Co.
Cleveland, Ohio

RABINOWITZ, MONA, Miss
J. W. Hicks & Co., Inc.
Denver, Colo.

RAHN, FRED T.
The Illinois Company
Chicago, Ill.

REGAN, DONALD T.
Merrill Lynch, Pierce, Fenner & Beane, New York City

REILLY, JOHN C.
G. H. Walker & Co.
New York City

*REILLY, JOHN F.**
Gearhart & Otis
New York City

REMINGTON, CLIFFORD G.
Woodcock, Hess & Co., Inc.
Philadelphia, Pa.

RICE, WILLARD F.
Eastman, Dillon & Co.
Philadelphia, Pa.

ROBERTS, WILLIAM C., Jr.
C. T. Williams & Co., Inc.
Baltimore, Md.

ROBINSON, S. CHARLES
Blair & Co., Inc.
Brooklyn, N. Y.

*ROGGENBURG, STANLEY**
Roggenburg & Co.
New York City

*ROHDE, JACK**
John R. Lewis, Inc.
Seattle, Wash.

*RONAN, FRANK J.**
New York Hanseatic Corp.
New York City

ROOB, EDWARD A.
Salomon Bros. & Hutzler
Chicago, Ill.

*ROOS, J. WILLIAM**
MacBride, Miller & Co.
Newark, N. J.

ROWADY, LEWIS
Hudson, White & Co.
Detroit, Mich.

*ROWEN, PAUL R.**
Securities & Exchange Commission, Washington, D. C.

RUNYAN, C. D.
Trust Company of North America, New York City

*RUNYAN, WALLACE H.**
Hemphill, Noyes & Co.
Philadelphia, Pa.

*SACHNOFF, SAMUEL**
First National Bank
Chicago, Ill.

*SAUNDERS, WALTER F.**
Dominion Securities Corp.
New York City

*SCATTERGOOD, HAROLD F.**
Boenning & Co.
Philadelphia, Pa.

*SCHAUFLER, CHARLES A.**
Schaffer, Necker & Co.
Philadelphia, Pa.

SCHLICTING, HUGH R.
Wm. P. Harper & Son & Co.
Seattle, Wash.

*SCHLOSS, IRWIN**
Carl M. Loeb, Rhoades & Co.
New York City

*SCHOETTLER, F. GIRARD**
Wayne Hummer & Co.
Chicago, Ill.

Continued on page 76

*Denotes Mr. and Mrs.

Utah Securities Dealers Association




Edward N. Bagley Calvin P. Gaddis Frank M. Whitney Wendell Smoot, Jr.

President: Edward N. Bagley, *J. A. Hogle & Co.*

Vice-President: Calvin P. Gaddis, *Edward L. Burton & Co.*

Secretary: Frank M. Whitney, *Whitney & Company.*

Treasurer: Wendell Smoot, Jr., *J. A. Hogle & Co.*

Directors: Sterling Larson, *Havenor-Cayias, Inc.;* James E. Reed, *James E. Reed & Co.;* Harrison S. Brothers, *Harrison S. Brothers & Co.;* Albert Payne Kibbe, *A. P. Kibbe & Co.;* Walter L. Roche, *Merrill Lynch, Pierce, Fenner & Beane.*

Elected: August 11, 1954; Took Office: August 11, 1954; Term Expires: August 15, 1955.

ROSTER OF MEMBERS

(Members located in Salt Lake City unless otherwise indicated)

ANDERSON, CLINTON
Western Securities Corporation

ANDERSON, VERNON E.
V. E. Anderson & Co.

ASPDEN, WILLIAM H.
J. A. Hogle & Co.

BADGER, HOWARD C.
Ralph A. Badger & Co.

BADGER, RALPH A.
Ralph A. Badger & Co.

BAGLEY, EDWARD N.
J. A. Hogle & Co.

BAIN, ALLAN C.
J. A. Hogle & Co.

BENNION, EDMOND Y.
J. A. Hogle & Co., Ogden

BOWMAN, K. RALPH
Ned J. Bowman Company

BOWMAN, RAMON N.
Ned J. Bowman Company

BENTLEY, MAXWELL
W. D. Nebeker & Co.

BERNICK, ROBERT W.
Salt Lake Tribune

BRADY, L. PIERCE
Zion's Securities

BROTHERS, HARRISON S.
Harrison S. Brothers & Co.

BURTON, Jr., EDWARD L.
Waddell & Reed, Inc.

BURTON, R. H.
Edward L. Burton & Co.

CALL, JACK
Call, Smoot & Company

CASHIN, ELLEN
R. Cashin & Co.

CASHIN, RUSSELL
R. Cashin & Co.

CHRISTOPULOS, PLATO G.
P. G. Christopulos & Co.

COOMBS, JACK R.
Coombs and Company

CROMER, L. L.
Cromer Brokerage Co.

DAVIS, GLEN L.
A. P. Kibbe & Co.

DEWITZ, HERBERT
J. A. Hogle & Co.

DUMKE, EDMUND W.
Muir-Dumke & Co.

FORSTER, JOHN J.
J. A. Hogle & Co.

GADDIS, CALVIN P.
Edward L. Burton & Co.

GLADE, HARVEY
J. A. Hogle & Co., Provo

HARRIS, WALTER M.

HAVENOR, HENRY E.
Havenor-Cayias & Co.

HEALY, J. BERNARD
J. A. Hogle & Co.

HOGLE, JAMES E.
J. A. Hogle & Co.

IVERS, THOMAS H.
J. A. Hogle & Co.

JARRAND, JACK E.
"Deseret News"

KELLY, PAUL
Mackenzie Company

KIBBE, ALBERT PAYNE
A. P. Kibbe & Co.

LARSON, STERLING
Havenor-Cayias & Co.

LIGHT, GIVEN A.
J. A. Hogle & Co.

LOVE, MILTON

MACKENZIE, WILLIAM A.
Mackenzie Company

MUIR, RICHARD W.
Muir, Dumke & Co.

NEBEKER, JR., WALTER D.
W. D. Nebeker & Co.

NICHOLS, LOU
P. G. Christopulos & Co.

PEARSON, G. HAROLD
Mountain Securities Co.

PETT, J. ARTHUR
J. Arthur Pett Co.

POULSEN, TED
Merrill Lynch, Pierce, Fenner & Beane

REED, JAMES E.
James E. Reed Co.

RICH, FRED W.
Ned J. Bowman Company

ROCHE, WALTER
Merrill Lynch, Pierce, Fenner & Beane

SCHETTLER, HAYDEN
J. A. Hogle & Co.

SMOOT, JR., WENDELL M.
J. A. Hogle & Co.

SONDRU, P. WALTER H.

THOMAS, JOHN C.
Ned J. Bowman Company

TUNKS, PHILLIP S.
J. A. Hogle & Co.

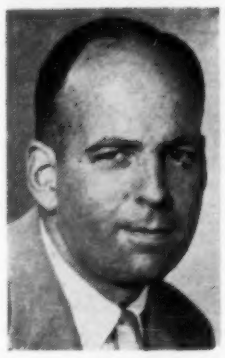
URE, JR., LINCOLN R.
A. P. Kibbe & Co.

WENDELBOE, STRATFORD L.

WHITNEY, FRANK M.
Whitney & Company

WHITNEY, RICHARD E.
Whitney & Company

Security Traders Assn. of Portland, Oregon



Paul A. Ludlam Neil C. D'Amico Robert W. Pitt

President: Paul A. Ludlam, *Merrill Lynch, Pierce, Fenner & Beane.*

Vice-President: Neil C. D'Amico, *Dean Witter & Co.*

Secretary-Treasurer: Robert W. Pitt, *Blyth & Co., Inc.*

National Committeeman: Pierre A. Kosterman, *Zilka, Smither & Co., Inc.*

Alternate: Donald C. Sloan, *Donald C. Sloan & Co.*

Elected: December 17, 1953; Took Office: January 1, 1954; Term Expires: December 31, 1954.

ROSTER OF MEMBERS

ABEITA, ARTHUR
Pacific Northwest Company

ADAMS, RICHARD H.
Donald C. Sloan & Co.

BAILEY, DAN V.
Foster & Marshall

BALFOUR, DAVID A.
Russell, Hoppe, Stewart & Balfour

BLAKELY, WILLIS H.
Blankenship, Gould & Blakeley, Inc.

BRADLEY, NORMAN
U. S. National Bank of Portland

COLE, VERGIL B.
Daugherty, Butchart & Cole Inc.

COLLINS, WILLIAM J.
William J. Collins & Co.

COLTON, E. L.
Canadian Bank of Commerce

D'AMICO, NEIL
Dean Witter & Co.

HESS, JOHN J.
Hess & McFaul

HILL, VIRGIL L.
U. S. National Bank of Portland

HOOGS, JAMES
Zilka, Smither & Co., Inc.

JONES, J. SHELDON
June S. Jones & Co.

JORY, FRED
Bank of California, N. A.

KOSTERMAN, PIERRE A.
Zilka, Smither & Co., Inc.

LUDLAM, PAUL A.
Merrill Lynch, Pierce, Fenner & Beane

LUNDBORG, HUGO
Handel, Lundborg & Co.

MAY, EARLE C.
Walston & Co.

PATTEN, Jr., GEORGE F.
George Patten Investment Co.

PEANO, FRED
First National Bank of Portland

PHIPPS, PRESTON
E. M. Adams & Co.

PITT, ROBERT
Blyth & Co., Inc.

ROBBINS, J. GILBERT
Campbell & Robbins, Incorporated

SLOAN, DONALD C.
Donald C. Sloan & Co.

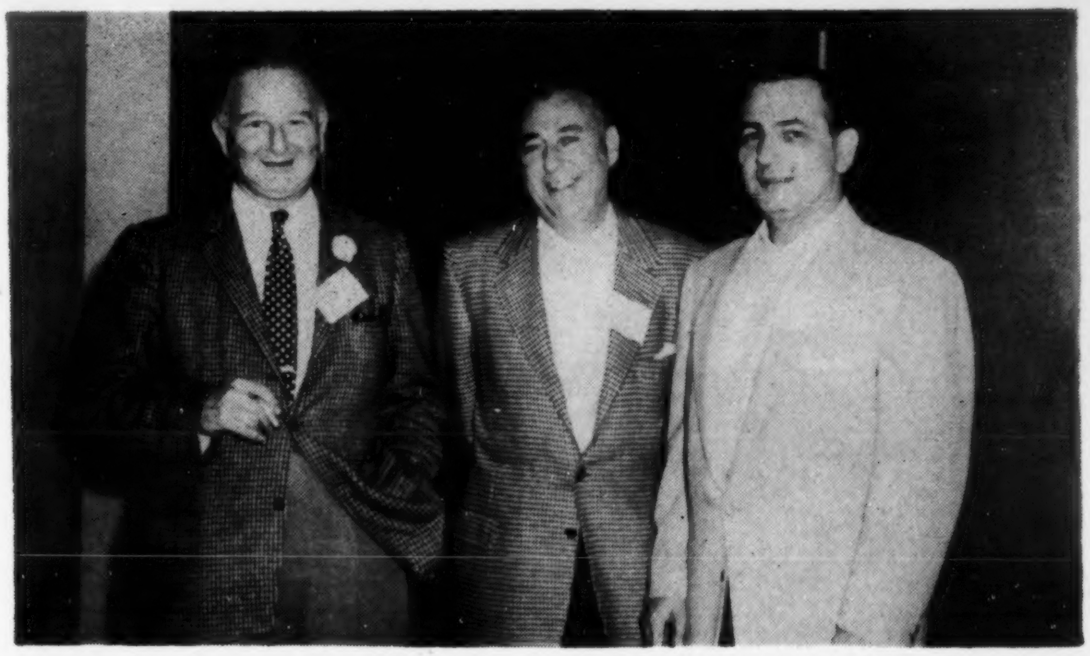
SOMERS, HOWARD
Camp & Company

TRIPP, Jr., CHAS. N.
Chas. N. Tripp & Company

VAN BOSKIRK, DON R.
Atkinson & Co.

ZORA, RAY
First National Bank of Portland

Mr. & Mrs. Edmond Brown, *Garrett & Co.*, Dallas; Mrs. Morton Weiss, New York; Mr. & Mrs. Herb Singer, *Singer, Bean & Mackie, Inc.*, New York



Irving Herzenberg, *Townsend, Graff & Co.*, New York; Herbert Singer, *Singer, Bean & Mackie, Inc.*, New York; Jules Bean, *Singer, Bean & Mackie, Inc.*, New York

Arizona Association of Security Dealers

R. E. Soranson

C. E. Crary

President: Randolph E. Soranson, *Merrill Lynch, Pierce, Fenner & Beane.*

Vice-President: C. E. Crary, *E. F. Hutton & Company*, Tucson.

Secretary-Treasurer: Joseph Refsnes, Jr., *Refsnes, Ely, Beck & Co.*

Directors: Henry Dahlberg, *Henry Dahlberg & Co.*, Tucson; Kenneth A. Ellis, *Kenneth Ellis & Co.*, Phoenix.

Elected: December 4, 1953; Took Office: January 1, 1954; Term Expires: December 31, 1954.

ROSTER OF MEMBERS

(Members located in Phoenix unless otherwise indicated)

ANDERSON, JAMES
Ed Murray & Co.

ANDLAUER, FRED C.
Merrill Lynch, Pierce, Fenner & Beane

BARRETT, TYLER
E. F. Hutton & Company, Tucson

BECK, PAUL D.
Refsnes, Ely, Beck & Co.

CHAPPELL, JOHN W.
E. F. Hutton & Company, Tucson

CRARY, C. E.
E. F. Hutton & Company

CUTHBERTSON, FRED A.
Refsnes, Ely, Beck & Co.

DAHLBERG, HENRY E.
Henry Dahlberg and Co., Tucson

DUNBAR, KIRK C.
Kenneth Ellis & Co.

ELLIS, KENNETH A.
Kenneth Ellis & Co.

ELY, Jr., SIMS
Refsnes, Ely, Beck & Co.

FICKS, Jr., ALBERT
Dean Witter & Co.

FITCHET, SETH M.
Merrill Lynch, Pierce, Fenner & Beane

GALLOWAY, ALVIN W.
Henry Dahlberg and Co., Tucson

GOLTER, RICHARD W.
First National Bank of Arizona

HANCHETT, HAROLD G.
Refsnes, Ely, Beck & Co.

HARVEY, WILLIAM
The First of Arizona Co.

HAUSER, RICHARD
Dean Witter & Co.

HICKS, ROLAND J.
Hemphill, Noyes & Co., Tucson

JACKSON, KATHRYN
Refsnes, Ely, Beck & Co.

KAUFMAN, HENRY J.
Hemphill, Noyes & Co., Tucson

KOLKOSKI, CHESTER M.
Kenneth A. Ellis & Co.

LAMBUTH, WILLIAM
Lambuth & Company Investments, Inc.

LEE, BENTON M.
Dean Witter & Co.

LEE, EUGENE S.
Valley National Bank (Associate)

LOPER, ANDREW B.
Valley National Bank of Phoenix (Associate)

MARNELL, TOM
Kenneth A. Ellis & Co.

MARONEY, WILLIAM
Merrill Lynch, Pierce, Fenner & Beane

McGINNIS, JAMES F.
Merrill Lynch, Pierce, Fenner & Beane

MEYERS, TOM W.
E. F. Hutton & Company

MILLISON, MARC
Merrill Lynch, Pierce, Fenner & Beane

MULLEN, HELEN
Merrill Lynch, Pierce, Fenner & Beane

MURRAY, ED
Ed Murray & Co.

O'NEIL, MAURICE
Merrill Lynch, Pierce, Fenner & Beane

OVENS, JAMES M.
E. F. Hutton & Company

OWEN, JOHN G.
Merrill Lynch, Pierce, Fenner & Beane

PERRINE, KENNETH I.
E. F. Hutton & Company

PICKERT, HAROLD
E. F. Hutton & Co.

REFSNES, JOSEPH E.
Refsnes, Ely, Beck & Co.

REFSNES, JOE L.
Refsnes, Ely, Beck & Co.

ROGERS, WILLIAM
The First of Arizona Co.

SENA, J. P.
E. F. Hutton & Company

SORANSON, RANDOLPH E.
Merrill Lynch, Pierce, Fenner & Beane

STEINHOFF, CARROLL F.
Henry Dahlberg & Co., Tucson

TRUAX, VICK
Ed Murray & Co.

VER CRUISSE, PETER
Guardian Trust Co.

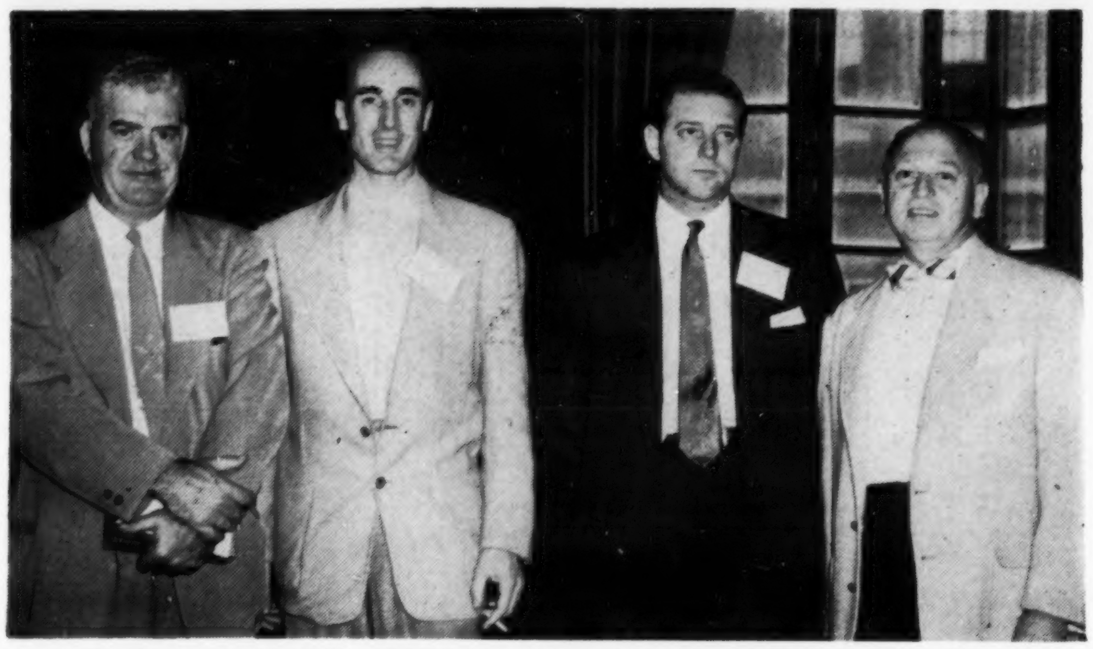
VIDRINE, KIRBY L.

WEBSTER, ARTHUR I.
Merrill Lynch, Pierce, Fenner & Beane

WOODWARD, MALCOLM C.
Woodward & Zuber, Tucson

ZUBER, ARTHUR J.
Woodward & Zuber, Tucson

Fred Fox, *P. F. Fox & Co.*, New York; Paul I. Moreland, *Moreland & Co.*, Detroit; Claude G. Porter, *Baker, Simonds & Co.*, Detroit



Tom Love, *Geo. E. Snyder & Co.*, Philadelphia; Robert F. Donovan, *Blyth & Co. Inc.*, Philadelphia; A. Payne Kibbe, *A. P. Kibbe & Co.*, Salt Lake City, Utah; Sam Weinberg, *S. Weinberg & Co.*, N. Y.

Kansas City Security Traders Association




Russell K. Sparks | Charles M. Harris | R. Dale Whitsitt | Elmer W. Pauly

President: Russell K. Sparks, *E. F. Hutton & Company.*
Vice-President: Charles M. Harris, *Harris, Upham & Co.*
Treasurer: R. Dale Whitsitt, *A. E. Weltner & Co., Inc.*
Secretary: Elmer W. Pauly, *Prescott, Wright, Snider Co.*
National Committeeman: John Latshaw, *E. F. Hutton & Company.*
Elected: December, 1953; Took Office: January, 1954; Term Expires: January, 1955.

ROSTER OF MEMBERS

(Members located in Kansas City unless otherwise indicated)

ASHBY, GEORGE
E. F. Hutton & Company

BACKLUND, C. W.
Merrill Lynch, Pierce, Fenner & Beane

BJORKMAN, J. D.
The Commercial National Bank
Kansas City, Kansas

BURTON, JOHN T.
Bache & Co.

CARNES, JAMES E.
Merrill Lynch, Pierce, Fenner & Beane

CARROLL, LAURENCE B.
Burke & MacDonald

CHARMLEY, JOHN A.
B. C. Christopher & Co.

CLAYTON, HARVEY A.
Harvey A. Clayton & Co.

COLE, WALTER I.
Beecroft, Cole & Co., Topeka, Kans.

COLEMAN, HARRY L.
H. O. Peet & Co.

COMBEST, EARL L.
Barrett Herrick & Co., Inc.

DYER, WILLIAM J.
E. F. Hutton & Company

EISEN, ERWIN H.
Lucas, Eisen & Waeckerle

ELLIOTT, LANDIS
Barret, Fitch, North & Co., Inc.

EVANS, HAROLD D.
McDonald, Evans & Company

FOLEY, CHARLES J.
H. O. Peet & Co.

HALL, EMMA M.
Commerce Trust Company

HALL, JOSEPH B.
Harris, Upham & Co.

HANNI, ARTHUR R.
Seltsam, Hanni & Co., Inc.,
Topeka, Kans.

HARRIS, CHARLES M.
Harris, Upham & Co.

HARRISON, WILLIAM A.
Waddell & Reed, Inc.

HILLMOND, A. W.
Waddell & Reed, Inc.

HUNTER, HAYWARD H.
George K. Baum & Company

JENNINGS, JOHN P.
Bonds, Incorporated, Kansas City, Kans.

JONES, CLARENCE E.
Stern Brothers & Co.

JONES, HAROLD H.
Prescott, Wright, Snider Co.

JONES, KNEELAND
A. E. Weltner & Co., Inc.

JOURDAN, J. WALLACE
H. O. Peet & Co., Kansas City

LATSHAW, JOHN
E. F. Hutton & Company

LISTROM, LOWELL
B. C. Christopher & Co.

McDONALD, CLAUDE M.
McDonald, Evans & Company

MESLER, MYRON D.
George K. Baum & Company

MEYER, CARL A.
Columbian Securities Corp., Topeka

MOYER, MARGARET PERKINS
Waddell & Reed, Inc.

NORTH, FRANK W.
Barret, Fitch, North & Co., Inc.

PAULY, ELMER W.
Prescott, Wright, Snider Co.

PRICE, EARL W.
Stern Brothers & Co.

SNYDER, FRANK J.
Beecroft, Cole & Co., Topeka

SODEN, JOHN P.
Soden Investment Company

SPARKS, RUSSELL K.
E. F. Hutton & Company

STEPHENS, JASPER F.
Waddell & Reed, Inc., Atlanta, Ga.

STOENNER, ARTHUR W.
Prescott, Wright, Snider Co.

SYLVESTER, W. CLYDE
W. C. Sylvester Investment Co.

WAGNER, THEODORE F.
Harris, Upham & Co.

WAHLER, JOHN E.
McDonald, Evans & Company

WELSH, MERLE L.
Harris, Upham & Co.

WHITE, LEONARD A.
McDonald, Evans & Company

WHITSITT, R. DALE
A. E. Weltner & Co., Inc.

ZAHNER, VICTOR H.
Zahner & Company

Investment Dealers Association of Houston


Jesse R. Phillips, Jr.


Philip R. Neuhaus


Lewis W. Pollok, Jr.

President: Jesse R. Phillips, Jr., *J. R. Phillips Investment Company, Incorporated.*

Vice-President: Philip R. Neuhaus, *Underwood, Neuhaus & Co.*

Secretary-Treasurer: Lewis W. Pollok, Jr., *Eddleman-Pollok Co.*

National Committeeman: A. Gordon Crockett, *Crockett & Co.*

Elected: January 1, 1954; Took Office: January 1, 1954; Term Expires: January 1, 1955.

ROSTER OF MEMBERS

ABERCROMBIE, LOVETT
Lovett Abercrombie & Co.
ANDERSON, ROBERT S.
Shearson, Hammill & Co.
BAYLESS, JAMES L.
Rauscher, Pierce & Co., Inc.
BAYNE, JOHN M.
Rotan, Mosle & Co.
BEASLEY, JR., J. S.
Rauscher, Pierce & Co., Inc.
BRADLEY, RICHARD L.
Equitable Securities Corporation
BRANDENBERGER, JOHN W.
J. Marvin Moreland & Co.
BROWN, ROBERT D.
Robert D. Brown & Co.
BRYAN, T. S.
Continental Securities Corporation
CHERRY, NORMAN G.
Crockett & Co.
CHRISTIE, BYRON V.
B. V. Christie & Co.
CRERIE, FRANK H.
Crerie & Co.
CROCKETT, A. GORDON
Crockett & Co.
CROCKETT, CLAUDE T.
Crockett & Co.
DAVIS, LAWRENCE
McClung & Knickerbocker
DAVIES, NELSON P.
Continental Securities Corporation
DUNN, JAMES L.
Dunn & Wills
EDDLEMAN, RICHARD N.
Eddleman-Pollok Co.
FINKELSTEIN, JACK
Shearson, Hammill & Co.
FOSDICK, JOHN JAY
Eddleman-Pollok Co.
FRIDLEY, EARL G.
Fridley & Hess
FRYE, DONALD
Rotan, Mosle and Cooper
GEORGE, JOE E.
Rauscher, Pierce & Co., Inc.
GOODWIN, JR., ARTHUR E.
Rowles, Winston & Co
GOODWIN, RICHARD H.
R. H. Goodwin & Co.
HAHN, CHAS. W.
Rauscher, Pierce & Co., Inc.
HARDING, EDWARD
Rauscher, Pierce & Co., Inc.
HARRIS, J. WYLIE
Harris-Heath Co.
HAWKINS, E. CLYDE
Rauscher, Pierce & Co., Inc.
HEDRICK, JR., J. W.
Shearson, Hammill & Co.
HESS, WILBUR E.
Fridley & Hess
JOHNSON, ROBERT M.
Rauscher, Pierce & Co., Inc.
KNICKERBOCKER, WALDO E.
McClung & Knickerbocker
La MASTER, LEWIS M.
La Master & Co.
MAGILL, ALBERT E.
Magill, Wareing & Co.
MASTERSON, JR., NEILL T.
Chas. B. White & Co.
MATCEK, W. H.
Rauscher, Pierce & Co., Inc.
McCLUNG, CLINTON C.
McClung & Knickerbocker
McDONALD, JOHN A.
J. R. Phillips Investment Company, Incorporated
McLEAN, CHARLES I.
Harris, Upham & Co.
MILES, RALPH
J. R. Phillips Investment Company Incorporated
MILLAR, ESTELLE A.
B. V. Christie & Co.
MINAR, WILLIAM
Rotan, Mosle & Co.
MOORE, Jr., F. A.
J. R. Phillips Investment Company Incorporated
MOSLE, J. LUDWIG
Rotan, Mosle & Co.
MURPHY, JAMES D.
Shearson, Hammill & Co.
NEUHAUS, PHILIP R.
Underwood, Neuhaus & Co.
PHILLIPS, JR., JESSE R.
J. R. Phillips Investment Company, Incorporated
POLLOK, LEWIS W.
Eddleman-Pollok Co.
ROWLES, RUSSELL R.
Rowles, Winston & Co.
SCOTT, JOHN DeC.
John D. Scott and Co
SHAWELL, WILLIAM S.
Shawell & Company
SORENSON, WALTER
Rotan, Mosle & Co.
TODD, WALTER
B. V. Christie & Co.
WHITE, CHAS. B.
Chas. B. White & Co.
WILLS, R. GLOVER
Dunn & Wills

Continued from page 73

In Attendance at NSTA Convention

SELIGMAN, BERTRAM
Straus, Blosser & McDowell
New York City
*SERLEN, LEWIS "HANK"**
Josephal & Co.
New York City
SHEEHAN, DANIEL, Jr.
Sheehan & Co.
Boston, Mass.
SHEPPARD, Mrs. NELL
Southwestern Securities Co.
Dallas, Texas
*SHORSHER, FRED A.**
Ball, Burge & Kraus
Cleveland, Ohio
*SHROPSHIRE, OGDEN**
Shropshire & Co.
Mobile, Ala.
*SIEGEL, SIDNEY A.**
Siegel & Co.
New York City
SIMPSON, Miss MARY
Simpson, Emery & Co., Inc.
Pittsburgh, Pa.
*SIMPSON, WILLIAM G.**
Simpson, Emery & Co., Inc.
Pittsburgh, Pa.
SINCLAIR, EDWARD
Weeden & Co., Inc.
New York City
*SINGER, HERB**
Singer, Bean & Mackie
New York City
*SMITH, EDWARD J.**
Smith, Bishop & Co.
Syracuse, N. Y.
*SMITH, HAROLD B.**
Pershing & Co.
New York City
SMITH, HERBERT
Blyth & Co., Inc.
Boston, Mass.
*SMITH, JOSEPH E.**
Newburger & Co.
Philadelphia, Pa.
SNYDER, EVERETT W.
E. W. Snyder & Co.
Syracuse, N. Y.
SNYDER, HARRY B.
Yarnall, Biddle & Co.
Philadelphia, Pa.
*STAIB, LEE**
Geo. Eustis & Co.
Cincinnati, Ohio
STANFORD, KEN
F. S. Smithers & Co.
New York City
STANKO, M. J.
Hudson White & Co.
Detroit, Mich.
STARKEL, ADOLPH G.
Putnam & Co.
Hartford, Conn.
*STEIN, JOHN R.**
Wm. V. Frankel & Co.
New York City
STEPHENS, DONALD B.
Cruttenden & Co.
Chicago, Ill.
STOLTZ, CHARLES E.
Reynolds & Co.
New York City

*Denotes Mr. and Mrs.

STONEBRIDGE, CHARLES L.
Merrill Lynch, Pierce, Fenner & Beane, New York City
STRADER, LUDWELL A.
Strader, Taylor & Co.
Lynchburg, Va.
*SWAN, LESLIE B.**
Chas. W. Scranton & Co.
New Haven, Conn.
*SWENSON, CARL A.**
G. H. Walker & Co.
New York City
*TENENBAUM, JAY L.**
Goldman, Sachs & Co.
New York City
THORSEN, LESTER J.
Glore, Forgan & Co.
Chicago, Ill.
*TISCH, ALFRED**
Fitzgerald & Co. Inc.
New York City
*TOBIAS, BERNARD H.**
Gerstley, Sunstein & Co.
Philadelphia, Pa.
*TOPOL, ROBERT M.**
Greene & Company
New York City
TORPIE, JAMES V.
Torpie & Saltzman
New York City
TORPIE, ROBERT
J. C. Bradford & Co.
New York City
TORRENS, ROBERT A.
Harriman Ripley & Co.
Philadelphia, Pa.
TOWNSEND, CURTICE
Weeden & Co.
Boston, Mass.
*TROSTER, OLIVER J.**
Troster, Singer & Co.
New York City
*VALLELY, EDWARD V.**
John Nuveen & Co.
Chicago, Ill.
*VICINO, WALTER J.**
Blyth & Co., Inc.
San Francisco, Calif.
WAHLQUIST, GEORGE R.
Weeden & Co.
Chicago, Ill.
*WAKELEY, THOMPSON M.**
A. C. Allyn & Co.
Chicago, Ill.
*WALKER, GRAHAM**
Jos. McManus & Co.
New York City

Continued on page 81

Bond Club of Syracuse, N. Y.


Karl B. Rollins


Francis Q. Coulter


Charles T. Heaton

President: Karl B. Rollins, *K. B. Rollins & Co.*

Vice-President: Pearne W. Billings, *Cohu & Co.*

Treasurer: Francis Q. Coulter, *Marine Midland Trust Company of Central New York.*

Secretary: Charles T. Heaton, *William N. Pope, Inc.*

Governors: Harry C. Copeland, *Reynolds & Co.;* John P. Miles, L. D. *Sherman & Co.;* LeRoy H. Schellenberg, *William N. Pope, Inc.;* Drew G. Eastman, *Eastman & Co.;* Alvin J. Grabau, *Grabau-Buchman.*

National Committeemen: Edward J. Smith, *Smith, Bishop & Co.;* Everett W. Snyder, *E. W. Snyder & Co.*

Elected: February 1, 1954; Took Office: February 1, 1954; Term Expires: February, 1955.

ROSTER OF MEMBERS

BICKELHAUP, ALBERT C.
Cohu & Co.

BILLINGS, PEARNE W.
Cohu & Co.

BISHOP, WESLEY
Smith, Bishop & Co.

BULLOCK, EDWARD J.
Reid-Bullock Co.

BULLOCK, JR., EDWARD
Reid-Bullock Co.

CANDEE, HORACE F.
Carl M. Loeb, Rhoades & Co.

CARY, DANIEL W.
Reynolds & Co.

COPELAND, HARRY C.
Reynolds & Co.

COULTER, FRANCIS Q.
Marine Midland Trust Company of Central New York

CUMMINGS, ERNEST M.
George D. B. Bonbright & Co.

DAY, MARSHALL W.
George D. B. Bonbright & Co.

EASTMAN, DREW G.
Eastman & Co.

EMMONS, EDWARD L.
Reynolds & Co.

ENGREN, GEORGE M.

FELDMAN, RICHARD
Granbery, Marache & Co.

GEHM, GEORGE W.
First Trust & Deposit Co.

GOODELLE, CLARENCE A.

GRABAU, ALVIN J.
Grabau-Buchman

GRAY, DONALD A.
William N. Pope, Inc.

GRIMES, WILLIAM H. C.
Lee Higginson Corporation

HEATON, CHARLES T.
William N. Pope, Inc.

JOHNSON, ORLIE D.
George D. B. Bonbright & Co.

LAPHAM, BEVERLEY H.
B. H. Lapham & Company

LAPHAM, Jr., WILLIAM G.
Carl M. Loeb, Rhoades & Co.

MILES, JOHN P.
L. D. Sherman & Co.

MULCOCK, ERNEST R.
E. R. Mulcock & Co.

POPE, WILLIAM N.
William N. Pope, Inc.

POZZI, FRANK
Smith, Bishop & Co.

ROBERTS, JAMES

ROLLINS, KARL B.
K. B. Rollins & Co.

SCHELLENBERG, LeROY H.
William N. Pope, Inc.

SCHMIDT, NORMAN C.
Clarence A. Goodelle

SMITH, EDWARD J.
Smith, Bishop & Co.

SMITH, LEO V.
Leo V. Smith & Co.

SNYDER, EVERETT W.
E. W. Snyder and Co.

STOKES, ROY H.
Merchants National Bank

SUITS, GILBERT
Smith, Bishop & Co.

THORNE, WILLIAM J.
Marine Midland Trust Company of Central New York

TICKNER, RULAND L.
Foster & Adams

TIFFANY, DONALD L.
Donald L. Tiffany, Inc.

TORMEY, Jr., JAMES C.
Cohu & Co.

TURCOT, CHARLES J.
Reynolds & Co.

WALLACE, WARREN K.
Fayetteville, N. Y.

WELLES, FRANK M.
Reynolds & Co

WILLOUGHBY, DON S.
Baruch & Co., Inc.

WILSON, J. HOLDEN
Cohu & Co.

New Orleans Security Traders Association


John J. Zollinger, Jr.


C. Homer Kees


Robert D. Alexander

President: John J. Zollinger, Jr., *Scharff & Jones, Inc.*

Vice-President: C. Homer Kees, *Ducournau & Kees.*

Secretary-Treasurer: Robert D. Alexander, *Howard, Weil, Labouisse, Friedrichs & Company.*

National Committeemen: Wm. Perry Brown, *Newman, Brown & Co., Inc.;* Arthur J. Keenan, *St. Denis J. Villere & Co.*

Alternates: Joseph P. Minetree, *Steiner, Rouse & Co.;* Gilbert Hattier, Jr., *White, Hattier & Sanford.*

ROSTER OF MEMBERS

(Members in New Orleans unless otherwise indicated)

ADAMS, LEON
Nusloch, Baudean & Smith

ALEXANDER, ROBERT D.
Howard, Weil, Labouisse, Friedrichs & Company

ALVIS, A. LESTER
Alvis and Comany, Jackson, Miss.

ARNOLD, H. WILSON
Arnold & Crane

BOUCHE, LOUIS J.
White, Hattier & Sanford

BREAUD, Jr., J. CHARLES
Newman, Brown & Co., Inc.

BROWN, WM. PERRY
Newman, Brown & Co., Inc.

CRANE, G. PRICE
Arnold & Crane

DANE, HAROLD
John Dane

DANE, JOHN

DE LA VERGNE, J. H.
Arnold & Crane

DERBES, CLAUDE
Derbes & Co.

DUCOURNAU, JAC. P.
Ducournau & Kees

FEIBLEMAN, T. JEFF
T. J. Feibleman & Company

FRIEDRICHS, G. SHELBY
Howard, Weil, Labouisse, Friedrichs and Company

GLAS, R. JEREMY
Glas & Company

HARDY, FORD T.
Merrill Lynch, Pierce, Fenner & Beane

HATTIER, Jr., GILBERT
White, Hattier & Sanford

HAWLEY, JACKSON A.
Equitable Securities Corp.

KEENAN, ARTHUR J.
St. Denis J. Villere & Co.

KEES, C. HOMER
Ducournau & Kees

KERRIGAN, JOHN E.
Newman, Brown & Co., Inc.

KINGSBURY, J. W.
Jackson, Miss.

KINGSTON, WALTER D.
W. D. Kingston & Co.

LEARY, Jr., A. M.
Barrow, Leary & Co., Shreveport

LOUQUE, WM. N.
National American Bank of New Orleans

MANION, CHARLES W.
Merrill Lynch, Pierce, Fenner & Beane

MINETREE, JOS. P.
Steiner, Rouse & Co.

MORSE, RICHARD C.
The National Bank of Commerce in New Orleans

NEWMAN, LEON
Kohlmeyer & Co.

NEWMAN, MORRIS W.
Newman, Brown & Co., Inc.

NUSLOCH, GEORGE H.
Nusloch, Baudean & Smith

OGDEN, FRED N.

RAPIER, EDWARD D.

RODDY, JAMES E.
Scharff & Jones, Inc.

SANFORD, J. B.
White, Hattier & Sanford

SCHWEICKHARDT, ERWIN
Schweickhardt & Company

SCRANTON, JACK
Newman, Brown & Co., Inc.

SHOBER, JOHN B.
Woolfolk & Shober

SMART, LAWRENCE F.

STOUSE, JAMES A.
The Hibernia National Bank in New Orleans

THIBODEAUX, PAUL J.
Whitney National Bank of New Orleans

VILLERE, ERNEST C.
St. Denis J. Villere & Co.

WEIL, JOS. H.
Weil Investment Co.

WEIL, ROSWELL J.
Weil Investment Co.

WEIL, Jr., WALTER H.
Howard, Weil, Labouisse, Friedrichs and Company

WHALEN, J. THOMAS
Howard, Weil, Labouisse, Friedrichs and Company

WHEELER, MACRERY B.
Wheeler & Woolfolk, Inc.

WILLEM, MICHEL A.
Beer & Company

WILLIAMS, FRANK
National Bank of Commerce in New Orleans

WOOD, FRANK B.
A. M. Smith-Wood Co.

WOOLFOLK, ROBERT M.
Woolfolk & Shober

ZOLLINGER, Jr., JOHN J.
Scharff & Jones, Inc.

DELEGATE-AT-LARGE FOR 1955


Walter G. Mason
Scott, Horner & Mason, Inc.
Lynchburg, Va.

Benjamin W. Pizzini, *B. W. Pizzini & Co., Inc.*, N. Y.; Joseph Lann, *Joseph J. Lann Securities*, N. Y.

Mr. & Mrs. Ed Kelly, *Carl M. Loeb, Rhoades & Co.*, New York

Continued from page 6

New Jersey Turnpike's Phenomenal Success

Its Dream Road" summarized this record in these words:

"If the Commissioners want a symbol, they might turn to a beverage for which the State was justly famous during Phohibition. Farmers made it by letting hard apple cider freeze. It had plenty of authority and produced results with breath-taking speed. It was called Jersey Lightning."

We had before us during this period of construction, and prior to opening, a prediction by our traffic and revenue experts that our Turnpike, based on the history of similar toll projects, would not cover its expenses during the first year of operation. In spjte of this the Commissioners determined that it could and would be different.

To this end, and to familiarize the people of New Jersey and of our 47 sister states with the fact that the Turnpike would be opened to traffic in November of 1951, we initiated at the very beginning a public information department and dramatized our every act. Every medium of communication throughout the country carried the story of the Turnpike from the day we first met. It was one of the most successful programs of public relations ever undertaken.

The Commissioners and our staff participated, too, in carrying the Turnpike message to hundreds of talks before service clubs, political gatherings, engineering groups and others, both in our own State and in the adjoining States. All this was done at a very nominal expenditure.

New Jersey, geographically, is a small state, ranking in area 45th among the 48 states. Population-wise it ranks ninth among the States. As a factor in the overall economy of the United States, it is most important and ranks sixth in industrial production and ninth in the payment of the total Federal tax bill.

Traffic-wise it is considered a "corridor" state because of its geographical location. It lies between New York and New England and the South and West. . . . between the first and third largest cities in the country, New York and Philadelphia. We have a problem of out-of-state through traffic which is not matched anywhere in the United States. The Turnpike was built to solve, in part, this extraordinary problem and it is performing it well.

Operations Phenomenally Successful

Ever since opening the Turnpike to traffic in November, 1951, our operations have been phenomenally successful. At the time of our financing it was predicted that in the first two years of operation — 1952 and 1953 — the Turnpike would carry an estimated 16,350,000 vehicles. Actually we carried 40,000,000 revenue vehicles — about 2½ times the estimate of the independent engineers. And this abnormal traffic has been the experience ever since opening.

In this year's first eight months we carried 16,700,000 vehicles. This is more than the engineers estimated for all of 1954, of 10,-100,000 vehicles. For all of 1954 the traiffc will approximate 25,-000,000 vehicles. This tremendous traffic, of course, has posed many problems, not the least of which has been the need for constant expansion of our facilities in order to keep pace with it. We have had to enlarge our toll facilities, service areas, parking areas, and do many other corollary things incident to that expansion, without considering increased personnel in toll audit, toll collection, police and maintenance forces.

In evaluating any predictions, and comparing these predictions with actual operating results, it is only fair to say that the New Jersey Turnpike is unlike any other toll road ever constructed. It is the first such highway ever built in a metropolitan area. At the time the estimates were made, there were a very limited number of toll highways on which to base any reasonable conclusions, and these were not, in any way, comparable to the New Jersey Turnpike.

The average trip on the New Jersey Turnpike is about 40 miles which indicates that a substantial

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Kenneth J. Howard, *J. A. Hogle & Co.*, New York; Morton N. Weiss, *Singer, Bean & Mackie, Inc.*, New York

Mrs. Antoinette Donadio, New York; Mr. & Mrs. Sydney Ornstil, *Wm. V. Frankel & Co., Incorporated*, New York; Mrs. William V. Frankel, New York

Continued from page 79

New Jersey Turnpike's Phenomenal Success

volume of the traffic is of a "commuter" nature. During 1953, significantly, only 5.57% of the traffic used the full 118 miles. Every traffic count has indicated that 60% or more of the vehicles paying tolls, and using the Turnpike, bear license plates of States other than New Jersey, clearly demonstrating the "corridor" nature of New Jersey in the traffic pattern.

I do not believe that more need be said of the Turnpike as now constructed, and now in operation, except that the main stem must be enlarged. We contemplate making it a six-lane facility from its present northerly terminus, adjacent to the George Washington Bridge, to our Interchange No. 4, serving the Camden-Philadelphia area. This is a distance of 83.3 miles, of which 20 miles already are six lanes from the Lincoln Tunnel interchange to the Woodbridge interchange serving our North Jersey shore communities. The financing for this widening in all probability will come later this year, and the additional lanes should be ready when we open the direct connection to the Pennsylvania Turnpike.

This connection to the Pennsylvania Turnpike, at a point near Bordentown, was financed recently by the sale of $27.2 million of bonds. Contracts have been awarded for the river and land piers to carry the new bridge across the Delaware River and for the super-structure of the bridge. The cost of this new bridge will be shared with the Pennsylvania Turnpike Commission. Work was started last June and this connection is scheduled to be open to traffic in the early summer of 1956. The Pennsylvania Commission has had under construction a further extension of its toll road to the east for this direct connection from Valley Forge to the Delaware River. This connection will provide a limited access express highway from the George Washington Bridge to the Ohio-Indiana border when the Ohio Turnpike, now building, is completed. And when the Indiana toll road is completed, it will be possible to travel on express highways from Augusta, Maine, to the outskirts of Chicago.

Another extension of our Turnpike which has been under construction is from our Newark Airport interchange easterly by way of a new bridge crossing of Newark Bay and via an express highway to the Holland Tunnel plaza in Jersey City. This extension was financed late in 1953 and will cost approximately $114 million. It will be one of the most costly highways ever constructed because it requires so much structural work over highways and railroads, and passes through densely populated and highly industrialized sections of Jersey City.

Both of these extensions, according to the traffic and revenue engineers, will be self-supporting and self-liquidating. In the case of the Newark Bay-Hudson County extension, it has been indicated that in the first year of operation (1957) it will carry 15,600,000 vehicles, which is approximately 60% of what the 118-mile Turnpike now is carrying. It is remarkable to note that only 27% of this traffic and revenue will originate in, or be destined for, the Holland Tunnel and that 73% of the revenue will accrue from its use by vehicles originating in, or destined for, the Hudson County peninsula.

Another extension which is still in the study stage would run from our present northerly terminus at Ridgefield Park northward about 15 miles through Bergen County and connect with a spur from the New York State Thruway. Educated guesses seem to think it feasible and, depending upon alignment, it would cost from $60 million upward. Such an extension would offer material relief to Bergen County highways from large volumes of passenger and truck traffic between New England and New York, and the South, which are expected to move on the New York State Thruway after its completion.

All of these extensions . . . those now under construction and the proposed northern one to the New York State Thruway . . . will result in bonded indebtedness of the New Jersey Turnpike Authority, currently at $432 million, of almost $500 million.

A New Project

At this point, it might be well to state that an entirely new project, which would be financed independently of the current Turnpike, has been legislated although only preliminary studies have been undertaken. It is an East-West express highway, about 58 miles in length. Rough estimates place the cost at $300 million. Temporarilly, this project is being held in abeyance awaiting the outcome of traffic surveys by the Port of New York Authority and the Triborough Bridge Authority of a new crossing of the Hudson River. This crossing will be a factor affecting the eastern terminus of the projected East-West highway. The Port Authority traffic survey is expected to become available late this year. Generally, this artery would proceed westerly, connecting with the present Turnpike at a point between the Hackensack and Passaic River bridges. Then it would pass through the municipalities of populous Essex County to, or near, Eagle Rock in West Orange, and then through Morris County, and the southerly tip of Sussex County to the Delaware. Here it would connect with two new bridges across the Delaware to Pennsylvania. This section of Essex County long has been in need of such a facility. We know of no other means of building this road which is so sorely needed, and any cost projections undoubtedly will be much greater in the years to come.

Thus, in a nutshell, I have outlined to you our program to date and what is planned for the future.

We believe that our success has done much to make possible the financing and construction of modern toll road projects in other States. We see an inherent danger in that the outstanding success of the New Jersey Turnpike may, conceivably, be the cause of financing some projects in the future which should not be financed.

The toll highway and the independent Authority should be used only for self-supporting and self-

Mrs. Morton Weiss, New York; Mr. & Mrs. Jones, *Courts & Co.*, New York; Mrs. Dorothy Brown, Dallas

Mrs. Zora Fraser, Los Angeles; Mrs. Marie Mullins, New York; James G. Fraser, *Stern, Frank, Meyer & Fox*, Los Angeles

liquidating projects. Their uses should be limited to the creation of those facilities which serve very definite purposes and which cannot be created and financed by ordinary means.

We trust, on the other hand, that the problems peculiar to our own great State will be recognized by the investing public, that you in the securities business will recognize them for what they are, and that our extraordinary earning capacity will be the means of expanding the market for revenue bonds to the extent that it will absorb, at very reasonable rates of interest, of course, all of the securities necessary to finance our requirements.

Selfishly we want to get every benefit that a fabulous facility such as the New Jersey Turnpike is entitled to. We shall look forward to your reaction to our projected program. We trust it will be favorable. We would be derelict in our duties to the citizens of New Jersey and the motorists of all the adjoining states who find it necessary to travel through New Jersey if we did not proceed with this expanded program as expeditiously as possible.

It is often difficult to illustrate, and to put across, the point of how fabulous is this present Turnpike of ours. An apt illustration, which I have used before, is that we think of the Port of New York Authority with its Holland Tunnel, its Lincoln Tunnel, its George Washington Bridge and three other bridges, as having exceptional earning capacity. With but 118 miles of road the New Jersey Turnpike Authority in 1953 took in, in tolls and concession revenues, a sum equal to more than half the revenue that the Port Authority took in last year from these six river crossings. This, to my mind, demonstrates rather practically the kind of traffic and the kind of revenue with which we are dealing and it sets the Turnpike apart from any other toll highway ever built, or projected.

Naturally, the State and its people have obtained manifold benefits from the Turnpike, both during its construction and as the result of its operation. An outstanding benefit, obviously, is the one that this self-supporting, self-liquidating toll road has relieved the State of a $285 million expenditure for urgently needed highway facilities of a comparable nature, without considering the extensions now under construction at a cost of another $147 million.

By far the greater opportunities have accrued from job opportunities, and the business and industrial expansion that has taken place. These improvements will multiply with the new extensions leading to our industry, our farms, our famous shore areas, and to our cities.

The Safety Record on the Turnpike

I should like to touch for a moment on the safety record of the Turnpike which is excellent and unmatched by either the parallel highways in the State or by public highways of the nation. For the first eight months of 1954 our accident record was at the low figure of 55.4 per 100 million miles of travel. This is about one-seventh the rate of the overall accident rate on parallel free State highways. And it is a mere fraction of the rate on the nation's highways as a whole.

The fatality rate can be viewed from two angles. The first is that there were 11 fatal accidents with more than 16 million cars, carrying about 40 million persons who traversed the Turnpike in that eight months' period—each for a trip averaging 40 miles. The second viewpoint is the number of fatalities per 100 million miles. The record in the first eight months is 2.42, an extremely low rate. For the paralleling State highways in 1953, the latest figures available, show a rate of about six and the national average was seven. None of the accidents on the Turnpike can be attributed to the design, construction, or the maintenance of the Turnpike. They are the result of either human or mechanical failures.

Even with 77 State Police, and with our own complete radio system, with some 70 mobile units for receiving and transmitting, we still have a problem of controlling speed on the Turnpike. A real get-tough policy has been in force for some time and this has resulted in some 2,000 summonses being issued each month.

Along with all of the planning and construction, we find a responsibility, of which we are keenly mindful, of protecting our law-abiding patrons from the driver of the hot rod and the maniac at the wheel, of providing a system of adequate highways for our own citizens and those of adjoining states, and of the maximum in safety that humanly can be provided to the users of our highways.

Continued from page 77

In Attendance at NSTA Convention

WALKER, LOUIS E.
National Quotation Bureau
New York City

*WALLINGFORD, CHARLES**
H. M. Byllesby & Co., Inc.
Philadelphia, Pa.

WALLINGFORD, JOHN D.
Stroud & Company, Inc.
Philadelphia, Pa.

WALLINGFORD, Miss MARY A.
H. M. Byllesby & Co., Inc.
Philadelphia, Pa.

*WALSH, RICHARD H.**
Newhard, Cook & Co.
St. Louis, Mo.

WARNER, HENRY B.
Henry B. Warner & Co.
Philadelphia, Pa.

WEEDEN, FRANK
Weeden & Co.
San Francisco, Calif.

*WEISS, MORTON N.**
Singer, Bean & Mackie
New York City

WELCH, EDWARD H.
Sincere and Company
Chicago, Ill.

*WELSH, HENRY C., Jr.**
Lilley & Co.
Philadelphia, Pa.

WHITING, EDMUND A.
Carl M. Loeb, Rhoades & Co.
New York City

*WHITNEY, RICHARD E.**
Whitney & Co.
Salt Lake City, Utah

WIELAR, JACK B.
Starkweather & Co.
New York City

WILLIAMS, CHARLES
Investment Dealers Digest
New York City

WILLIAMSON, E. COIT
Schmidt, Poole, Roberts & Parke, Philadelphia, Pa.

*WILLIS, EUGENE F.**
J. W. Tindall & Company
Atlanta, Ga.

WINFIELD, WALTER
N. R. Real & Co.
Jersey City, N. J.

*WINKLER, WILLIAM W.**
Thayer, Baker & Co.
Philadelphia, Pa.

*WOODSIDE, BYRON D.**
Securities & Exchange Commission, Washington, D. C.

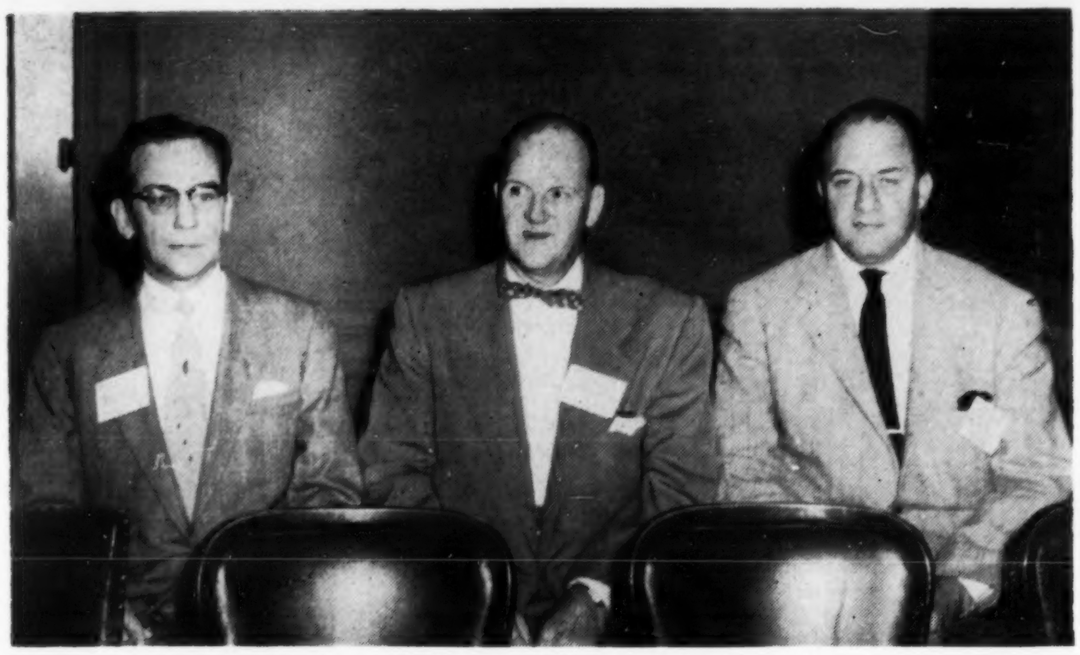
YEATMAN, POPE, Jr.
Suplee, Yeatman & Co.
Philadelphia, Pa.

ZINGRAF, CHARLES M.
Laurence M. Marks & Co.
New York City

ZINZER, HERMAN J.
Dempsey-Tegeler & Co.
St. Louis, Mo.

ZOLLINGER, JOHN J., Jr.
Scharff & Jones, Inc.
New Orleans, La.

*Denotes Mr. and Mrs.



Ogden Shropshire, *Shropshire & Co.*, Mobile, Ala.; Richard H. Walsh, *Newhard, Cook & Co.*, St. Louis; Edward J. Smith, *Smith, Bishop & Co.*, Syracuse

Col. Oliver J. Troster, *Troster, Singer & Co.*, New York; Clarence A. Horn, *First of Michigan Corporation*, Detroit

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Some SEC Problems

known. This subject of stabilization is highly technical and always has been. The Securities Exchange Act makes it unlawful to stabilize "in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors." For many years, in fact even now pending the adoption of rules, any proposed stabilizing activity is cleared by telephone on a case by case basis. I understand that this has worked our reasonably well in practice because those who direct our Trading and Exchanges Division operate on principles which are becoming generally well known.

However, when the statute tells the Commission to make rules I submit that we are under a duty to make rules. That is one reason why we have proposed formal stabilizing regulations. The other is that to the extent that we perpetuate present practice we tend to act like a government of men rather than a government of laws. We think that people should know without guessing, what is permitted and what is prohibited.

The proposed rules have been criticized by some as prohibiting some activities which are permitter under present practice. That criticism is being carefully examined and I believe that our staff questions the validity of some of the criticism. The fact that such a disagreement can arise, however, is a good reason for having a rule. We are working hard to come up with a set of rules on stabilization which does in fact codify existing permissible practice. We are discussing the proposed rules with technically competent people in our own staff and in the industry so that the rules will be formulated with an awareness of practical consequences. We hope that the rules, when finally adopted, will prove to be a workmanlike job in the public interest.

Rules Controlling Insiders

Another type of problem is provided by Section 16(b) of the Securities Exchange Act which imposes on certain insiders (officers, directors, 10% stockholders) a liability for short-swing profits realized from trading of listed securities. This section was put in the law to prevent the unfair use of inside information. The Commission is empowered to exempt by rules and regulations transactions which it deems not comprehended within the purpose of the Section. The rules on this subject have been made and remade from time to time. They seem to grow more complex as time goes on. The Commission as a matter of fact has many times been in the position of intervening in private litigation to interpret to the courts the meaning of the Commission's rules. We think this is unfortunate. Rules should be clear enough that the persons bound by them and certainly their lawyers are able to understand them. After all they govern the rights and liabilities of many thousands of people all over the country. Yet the differences between transactions which afford opportunity to use inside information unfairly and transactions which do not afford that opportunity are technical differences.

All kinds of problems arise in connection with options, mergers, sales of assets, liquidations, underwritings of primary distributions, underwritings of secondary distributions and the like. Here again, remember that our rules have the force of law and in the case of this Section, the rules result in the imposition or exemption from civil liability. The rules must be complete in order that they may be fair and treat alike all situations which should be treated alike. At the same time the rules should not be so complex that no one will understand them.

The public and the bar—not to mention you traders—should be given understandable rules to live by. Much work has been done at the Commission over the last year in endeavoring to clarify rules under Section 16(b), but we do not wish to propose any revisions without having given them very thorough study. The Commission considers that Congressional policy has been categorically expressed in favor of corporate recovery of short-swing trading profits by insiders. Exemptions from the statutory liability should be granted only in cases where there is no opportunity for unfair use of information. We want to do a workmanlike job of describing the limited area in which such cases fall.

Some Considerations to Be Weighed

To my regret my remarks have turned out to be pretty technical but they developed that way for a reason. I want to impress upon you the fact that anything we do under any section of any statute administered by us presents a multiplicity of problems. Moreover, wrong decisions might have serious consequences. From the illustrations I have given you can see some of the opposing considerations which we are required to weigh:

(1) The need for certainty against the danger of too much rigidity;

(2) The need for administrative flexibility against the danger of purely personal government;

(3) The need for completeness of description against the danger of too much complexity;

(4) The danger of taking action on the basis of reasonably available information against the danger from delay while more exhaustive information is developed.

While I want to impress upon you the fact that the job we are doing is not an easy one, I don't want you to get for one moment the idea that we take ourselves too seriously. We realize, as I am sure you do, that the strength of the American economy is not something which is a creature of government. In a sense, you and we are only part of the mechanical operation of the economy. To be sure, we like to think of ourselves as being reasonably important parts. The fact of the matter, however, is that the creative genius of our scientists, our farmers, our labor, our management, and the constitutional system which gives that genius free play are the real reasons why you have a market to trade in and why we have one to regulate.

Allan Lopato, *Allen & Company,* New York; Joseph Corby, *Allen & Company,* New York City; Merritt Coleman, *Allen & Company,* New York City

Hugh R. Schlichting, *Wm. P. Harper & Son & Co.,* Seattle, Wash.; Jerry Tegeler, *Dempsey-Tegeler & Co.,* St. Louis; William Gregory 3rd, *Bonner & Gregory,* New York

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Mexico's Changing Attitude Toward Foreign Investors

had already been adjusted several months before the devaluation. To me, there is no doubt that the recent adjustment is a clear expression of government policy aimed at enabling a public utility to obtain a reasonable rate of return on its investment and thus to attract private capital, both domestic and foreign, in the field of electric power generation and distribution in Mexico.

"Like many other countries, Mexico is now faced with the problem of increasing production without inflation. The problems faced by Mexico arise, among other things, from the fast pace of the increase of population and the desire to better the living conditions of the people. To attain this purpose requires a relatively high rate of investment. So, if we are determined to avoid inflationary policies deriving from excessive investment, we need to attract private investment as much as possible, allowing the investors to obtain a reasonable rate of return. Public investment, nevertheless, still will have to have an important bearing as a complementary source of capital to attain the rates and levels of investment necessary to develop the country's resources, especially due to the fact that there are some fields of investment that appeal less, or not at all, to private capital.

"On the other hand, there are indications of the great interest the Mexican Government has in the development of the electric power industry. At the end of last year a special government committee was appointed to study the power needs of Mexico during the next 10 years as well as the best means of financing those needs. That committee is working with the collaboration of the International Bank for Reconstruction and Development and may report in the early part of next year. I think that the findings and recommendations of that report will have an important bearing on future Mexican policy, not only as to public utilities connected with the generation and distribution of electric power, but also in the whole field of privately-owned utilities—including gas, telephones, telegraphs and urban transportation."

(Q) If costs later increase again, will additional rate increases again be granted?

(A) "I can't answer you directly on this question, but I think that if the Mexican Government wants to have efficient public utilities and wants to encourage investments in this field—and I believe it does want both of these things—it will have to continue a policy of making possible a reasonable rate of return and carry out policies that will contribute still further to the creation of a permanently favorable climate for attracting private funds to these activities."

(Q) How has the Mexican public reacted to the granting of higher rates to the Mexican Light and Power Company?

(A) "I think that it was not generally well received, but the public understands that there was a case for the increase. Public opinion is beginning to be conscious of the need for efficient public services and to understand the need to give a reasonable rate of return to the companies performing those services."

(A) Does the recent step foreshadow more liberal rates for other privately-owned utilities in Mexico?

(A) "The recent steps taken in relation to the rates of the Mexican Light and Power Co. are not isolated. The Mexican Government has increased the rates for other public utilities recently—some bus lines, telephone companies and air transportation—and, I believe, is studying adjustments for other electric companies and railroads. There is no reason why those adjustments, which are made to allow a reasonable rate of return, should be limited in the future only to electric power utilities."

(A) Do you prefer private foreign capital to official (IBRD, Eximbank) for development purposes? If so, why?

(A) "I think that for certain types of investment it is not a question of preference, but of need to have the investments made. I refer to investments that necessarily have to be made by the public sector. It is difficult to conceive of private investments in reclamation projects, highways or port development. There are some additional fields, usually covered in other countries by the private sector, that at the present stage of Mexican development also have to be made by the public sector as a matter of urgency, to avoid bottlenecks in the economic development of the country. Nevertheless, I am sure that the Mexican Government would welcome private funds in these fields as well if they were available."

(Q) There is reportedly substantial private Mexican investment in United States bank accounts, securities, etc. Is there a possibility of tapping Mexican capital for Mexican development?

(A) "The significance of the funds so held abroad as a possible source of investment in Mexico has always been exaggerated. A great part of those funds constitute the working balances of export and import companies of Mexico. If you compare the amount of those funds to the volume of our foreign trade, you find that they are relatively not large. Of course there are idle balances held by individuals that could be attracted to Mexico but, as I have said, these idle balances from the viewpoint of the Mexican economy are negligible compared with the current investments made out of our domestic savings. We think it will be possibly to tap Mexican savings for equity investment in Mexico, provided the return on the shares offered compares favorably with the return on existing Mexican investment media."

(Q) What is Mexico's attitude toward public ownership of utilities? Is it likely that the government will nationalize privately owned utilities?

(A) "With the exception of the railroads, which were disrupted during the Mexican revolution and had to be put on a sound financial basis, in spite of very low returns, most of the public utilities are in private hands, and I don't think that the government has any intention of trying to nationalize them. In the field of electric power during the '30's, due to the depression and to the corresponding lack of investment, the Mexican Government created the Federal Power Commission to supplement the generation and distribution of electric power provided by private enterprises. But it would be illogical to spend government funds to acquire existing plants when the need for increasing additional investment in this and other fields is so pressing.

"On the contrary, I think that the government's policy is directed toward attracting private funds for the improvement and expansion of public utilities financed and owned by private capital."

(Q) Has Mexico any plans for atomic power plants such as Argentina is reportedly contemplating?

(A) "I don't think that there are any plans related to atomic energy for power generation. As far as I know, the costs of such equipment would not be attractive for the next few years. Anyhow, I don't think at this stage one could seriously foresee what will happen on this subject and

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Mr. & Mrs. Samuel E. Magid, *Hill Thompson & Co., Inc.*, New York; C. D. Runyan, *Trust Company of North America*, New York

John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.; Mrs. Landon A. Freear, Ft. Worth, Tex.; Tom King, *Dempsey-Tegeler & Co.*, Chicago

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Mexico's Changing Attitude

how it will affect the generation of electric power."

Statement by Mr. Garner Vice President of World Bank

"The decision of the Mexican Government to grant an interim 21.2% rate increase to the Mexican Light and Power Co. is a constructive step which should not be viewed as an isolated case. It is a step definitely in line with the World Bank's hopes. The IBRD, prior to the Mexican announcement, held friendly discussions on the problem with all parties concerned. The rate increase is a very good portent. It is very much in line with what we hope to see in underdeveloped countries generally.

Robert L. Garner

"Mexico is making a careful and serious survey of its prospective power needs and the current power survey will result in far better information on the investment needs than anything we have had heretofore. Mexico is attacking the problem in a very sensible way. The Mexican Government realizes the need to encourage foreign capital to invest in electric power facilities and other activities; and it recognizes the role which profit incentive plays in such private investment. I may point out, incidentally, that not all the capital investment envisaged in recent plans is foreign capital. Private Mexican capital is expected to become a primary contributor to utilities expansion in the stage that lies ahead.

"We applaud the Mexican decision in the case of Mexlight's rates and should like to see other countries, too, make investment more attractive," Mr. Garner added.

On the subject of the 21.2% rate increase for Mexlight, effective Oct. 1, 1954, the IBRD's 1954 annual report (supplement issued Sept. 25, 1954) notes the interim nature of the increase and reports that "a final adjustment is expected to be made in the near future."

In discussing the rate increase with the writer Mr. Garner observed that the same principle will be applied by the Mexican Government to other utility and rail enterprises. "If a country wants to get efficient rail and public utility service," he said, "it must let the enterprise pay its own way. The Pacific Railroad, for example, to which the IBRD lent $61,000,000 in August, will be put on a self-sustaining basis. They want to make it an economic enterprise, with rates high enough to maintain good service."

At the IBRD's 1953 annual meeting Mr. Eugene Black discussed the problem of power expansion in underdeveloped countries at some length. He pointed out then that, unless capital is forthcoming from private investors, attention will have to be given to devices whereby the consumers of electric energy will have to provide the means of expanding capacity, as through surcharges on their electric bills. Although that device is already in use in Chile, it is not contemplated by Mexico as of this writing. What the report on the present power survey will recommend on this score, if anything, remains to be seen.

The IBRD's stressing of private investment in power in underdeveloped countries is based not so much on ideological grounds as on fiscal reasons. The Bank realizes that all governments have tremendous budgetary burdens; and insofar as capital for power can be got from private investors, the pressure on the budget is lessened. The price of private investment in foreign utilities nowadays, Mr. Garner pointed out, is an attractive investment return based on an adequate rate structure.

While the rate increase for Mexlight is the only one announced thus far this year, it is known that the American and Foreign Power Company's representatives have been negotiating with the Mexican Government for similar treatment.

Mexlight Is "Naturally Delighted"; Thinking of Dividends

General William H. Draper, Jr., chairman of Mexlight, responding to a request for a statement, said:

"We were all naturally delighted when the Mexican Government recognized the validity of our application for rate revision and granted an average rate adjustment of about 21% effective with our October billings. This will still leave our rates lower than in most large cities of the United States and lower than in most Latin American countries.

Wm. H. Draper, Jr.

"Prior to the devaluation of the Mexican peso last April we had planned, in view of the reasonably satisfactory earnings in 1953, when we earned about 5% on the book value of our common stock, to pay a modest dividend on our common, which is listed on Toronto and London Exchanges and traded over-the-counter in New York.

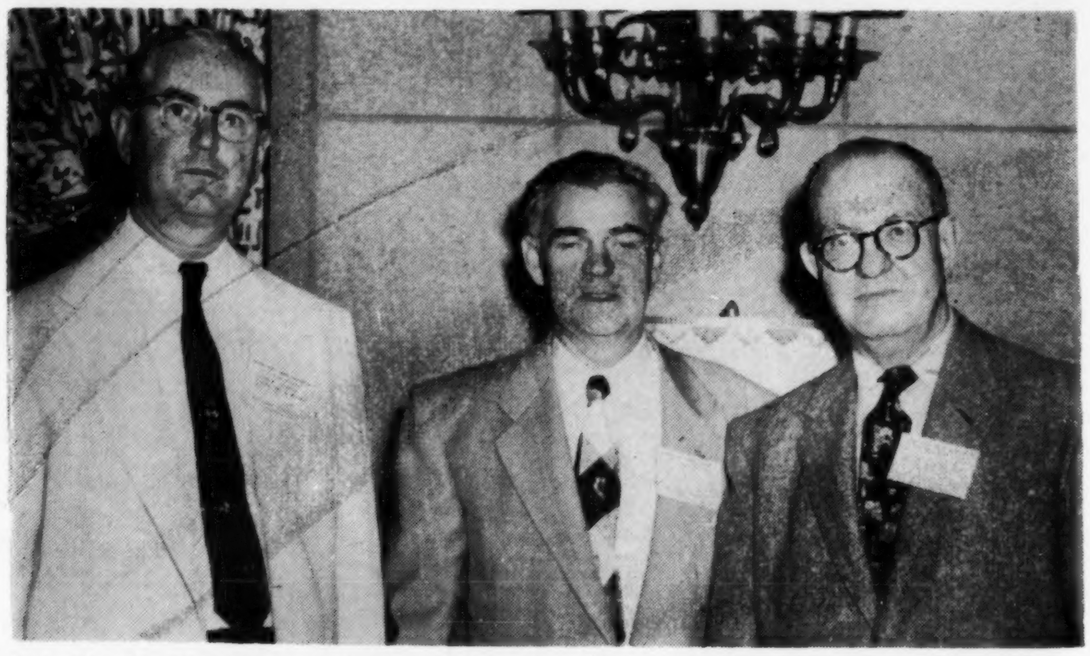
"We had also laid plans for an offering of our securities to the public in Mexico. Naturally the reduction in our net earnings caused by the devaluation and by two wage increases this year forced us to postpone both the common dividend declaration and immediate financing.

"Now that increased rates will substantially improve our earnings after Oct. 1, 1954," General Draper continued, "our directors should before long be able to again review these plans and the financial progress of the company.

"Nearly $200,000,000 has been invested in the property in the past 50 years; and some $50,000,000 of this has been put to work during the past four or five years.

"At the present rate of growth in the demand for light and power it would appear that we shall have to duplicate that entire investment in the next 10 years. This emphasizes the importance of our required financing program for the future and indicates the necessity of adequate rates and earnings, which has now to a large degree been recognized by the Mexican Government.

"I should like to express my own personal appreciation to the members of the Mexican Tariff Commission and to the Minister of Economy, Sr. Loyo, for their understanding of our problems, and particularly for their realization that reasonble rates to permit adequate earnings alone can attract the large amounts of private capital needed to assure the



John Murphy, *Hornblower & Weeks*, Philadelphia; Frank J. Morrissey, *F. J. Morrissey & Co.*, Philadelphia; Patrick J. Cummings, *Bear, Stearns & Co.*, Chicago

Thomas J. Mullins, *White, Weld & Co.*, New York; James R. Brewer III, *John C. Legg & Company*, New York; Mr. & Mrs. Wilbur Krisam, *John C. Legg & Company*, New York

constant growth of Mexico's power resources.

"At the end of this year, with our new Patla hydro plant in service, the company will have about a half million kilowatts of its own generating capacity. In addition it will have available the power generated in the Miguel Aleman System, totaling 200,000 kilowatts capacity, owned and built by the Federal Electricity Commission. The company will then have greater reserves of power, and greater insurance against the need of any restrictions on its use, than ever before in its half century of service to the public. This is a condition we want very much to maintain in the interest of the Mexican economy and the recent rate increase will certainly help in this direction,'" Mr. Draper concluded.

Mr. Draper also paid tribute to the most constructive and difficult task accomplished by his predecessor, former Ambassador George Messersmith, in building up the company and in arranging for the $26,000,000 IBRD loan in combination with the peso credit from the Mexican Government. Mr. Messersmith is now Honorary Chairman of the Board of Mexlight and still contributing greatly to the company's success, Mr. Draper stated.

Black Is Gratified

Mr. Eugene Black, President of the IBRD, is gratified by the Mexican rate policy. He commented:

"The recent action of the Mexican Government in granting a partial but substantial rate adjustment to the Mexican Light and Power Company is most gratifying to the World Bank. We understand that this adjustment will be supplemented shortly in order to fully meet the company's increased expenses.

"During the past few years we have been happy to approve several loans for Mexico, including a $26,000,000 power loan for Mexlight. Two wage increases this year and the effects of the devaluation of the peso have considerably increased the company's costs of operation and made its request for a rate adjustment necessary in order to reestablish the position it held before devaluation.

"The Government's recognition of this situation should give real encouragement and greater confidence to private enterprise in Mexico.

"I am very pleased, too, that the new 45,000 kilowatt Patla hydro plant which our loan helped to finance will soon be delivering power to Mexico City to meet the growing demands of the population and of Mexico's industrial development."

The Patla plant mentioned by Mr. Black will be dedicated on Oct. 21 by the President of Mexico in the presence of a distinguished audience of Mexicans and foreigners. Among the latter will be Mr. John W. Snyder, former U. S. Secretary of the Treasury, and M. Paul Van Zeeland, former Foreign Minister of Belgium, both of whom are among the present directors of Mexlight.

A Study by a Mexican Economist

A study by Cristobal Lara Beautell, "La Industria De Energia Electrica," made while its author was on the staff of Nacional Financiera, is one of a series of studies sponsored by that institution. The book, published last year, was awarded the annual prize offered by the Banco Nacional de Mexico for the most outstanding Mexican contribution in the field of economics. The following observations are based on the most recent monthly review of the bank:

The book addresses itself to the major basic problems facing Mexico's electric utility industry and examines its future potentialities. Tracing recent growth the author points out that during the past 10 years the number of electric power installations has doubled and the average plant size has increased considerably. All this is a cause for satisfaction. But the growth has not been uniform and, moreover, the newer installations are located in the central part of the country, generally speaking.

The industry has experienced a considerable degree of structural modification since 1943, permitting it to operate on a more economical and efficient basis, the study shows. Labor productivity overall has risen but slightly since 1939: from an index of 100 to 105. This rise, moreover, has not been uniform. From 1939 to 1944 productivity per worker declined; during the next four years it rose; and during the last two years surveyed in the book it again declined, due to insufficient water in the storage dams which was compensated for only partially by the utilization of thermal units. Over the years labor productivity in the industry has been generally proportionate to the amount of capital employed.

Capital's productivity in the Mexican electric light and power industry is more difficult to measure accurately but it is obvious, Sr. Lara states, that during the period examined it has declined. In this decline natural factors, especially drought, have played a major role. Drought accounts for most of the great reduction in the output of energy from hydroelectric plants. From 4,898 kw. hours per unit in 1937 production of this type dropped to only 3,021 kw. hours in 1951. The increase of 54% in production from thermal units was inadequate to compensate for the hydro decline. "The overall drop in capital productivity is brought into relief when it is realized that with production for 1937 equal to 100 the 1951 figure had fallen to 88.9," the review states.

The Lara survey also goes into

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John Pollick, *Swift, Henke & Co.*, Chicago; Thomas E. King, *Dempsey-Tegeler & Co.*, Chicago; Les Thorsen, *Glore, Forgan & Co.*, Chicago; Jack Kipp, *A. G. Becker & Co., Incorporated*, Chicago

Edward R. Adams, *Clement A. Evans & Co., Inc.*, Atlanta; Loomis C. Leedy, Jr., *Leedy, Wheeler & Alleman, Inc.*, Orlando, Fla.; Robert Buse, *The W. C. Thornburgh Co.*, Cincinnati

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Mexico's Changing Attitude

the rate structure. It notes that the Secretaria de Economia fixes the electricity rates in accordance with the nature and quantity of consumption and the profits of the companies. Residential users pay the highest rates. The industry's profit rates, according to the study, vary between 8.37% and 9.35%. Average rates throughout the country doubled between 1943 and 1950, a more rapid rise than experienced by wholesale commodities. The review does not state whether electric power rates at the beginning of the period mentioned were, so to speak, behind the market.

Coincident with rate increases bringing added revenue to the companies, costs also mounted. The revenue increment went for higher wages and other operating costs, rather than to improvement of the companies' financial position, which consequently has undergone little change. Sr. Lara therefore observes of the industry that "it is not yet on a solid financial footing which would allow it to develop normally with the aid of private capital."

Electrification in Mexico has been confined mainly to urban and industrial areas, whereas the large potentialities of the rural areas have been neglected. The future role of the electric energy industry in the view of Sr. Lara should be threefold: electrification of new areas, development of new customers in already-developed areas, and encouragement of existing customers to use more electricity than they are presently using. To these ends the available instruments are financial promotion and rate structure. The latter should be developed so as to encourage and stimulate consumption and deserves the main emphasis, the review concludes.

Generation of Electricity in Mexico, 1939-1953

(In millions of kw. hours)

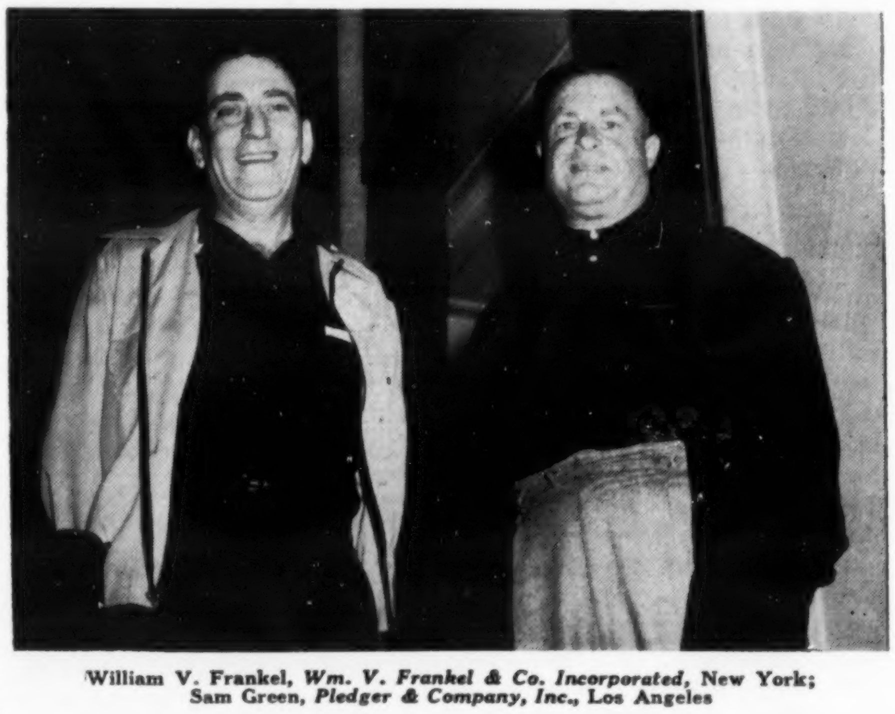
1939	2,462.0
1940	2,529.0
1941	2,524.2
1942	2,625.0
1943	2,738.6
1944	2,750.4
1945	3,068.5
1946	3,317.3
1947	3,598.5
1948	3,968.7
1949	4,328.4
1950	4,423.5
1951	4,908.2
1952	5,337.0
1953	5,713.9

Source: Banco Nacional de Mexico, *Review of the Economic Situation of Mexico*, August 1954.

Conclusion

Whether the Mexican rate increase discussed above signifies a major turn in Mexico's official attitude toward such private enterprise can be determined only from the course of future events. It is clear enough, however, that the September news met with a very encouraging reception in Washington, the headquarters for official investments that "do not compete with private capital."

Whether the rate increase move goes as far as it should to make investment attractive to private Canadian, American and other capital depends in part on the Mexican Government; but in the last analysis it needs also the full acceptance by the Mexican public who pay the light and power bills. That public in the past has not always been able to see the investors' problems dispassionately. It is to be hoped that in their own interest Mexican citizens will recognize the wisdom of the Mexican Government's present thinking in this regard. As President Ruiz Cortines stated in his speech on the occasion of the opening of the Mexican Congress in September, power development is of greatest importance to Mexico. The Government's intention, expressed by the President, to encourage private capital to participate in further expansion in this field is very heartening.



William V. Frankel, *Wm. V. Frankel & Co. Incorporated*, New York; Sam Green, *Pledger & Company, Inc.*, Los Angeles

Mrs. Ralph Curlette; Mrs. Hal Murphy, New York (foreground); Ralph Curlette, *Ludman Corp.*, North Miami, Fla.; Mr. & Mrs. Harold B. Smith, *Pershing & Co.*, New York

H. Mitchell Bruck, *Stein Bros. & Boyce*, Baltimore; Mr. & Mrs. J. W. Butler, *Baker, Watts & Co.*, Baltimore

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Looking Ahead in the Chemical Industry

lines about surplus wheat and butter, about government storage charges running half a million dollars a day, it's sometimes hard to get excited about scarcity, but the fact is that three-quarters of the world doesn't have enough to eat—in just plain calories. And proteins essential to the diet are scarce almost everywhere.

The world's arable land cannot quickly be transformed into farms as we know them in upper New York State. There is only so much of it, and some of it will remain untillable. But there are some significant developments. This spring in Omaha we opened a new nitrogen fixation plant. In addition to fertilizer, we're producing urea, a white powder widely used in plastics. Now urea is made by trapping nitrogen out of the air and combining it with hydrogen taken from natural gas. Recently agricultural experts have shown that cattle produce finer steaks when up to a third of their protein ration consists of this white powder, mixed in with their feed. The animals like it and so do the customers, because it brings down the price of meat. In a sense, then, we are in the age of synthetic foodstuffs already. Extension of research on how we can use abundant raw materials—natural gas, atmospheric nitrogen, coal and petroleum fractions — to provide superior animal feeds may well give us the key to a bread-basket for the world's hungry millions.

And let's not overlook the importance of chemicals to food preservation and packaging. The ice box and spring house of 1914 have yielded to some 40 million gleaming refrigerators and frozen food cabinets. Their operation is made possible by about a quarter's worth of fluorine refrigerant chemicals in each cooling unit. Plastics and chemical coatings, incidentally, contribute to the attractiveness and serviceability of these and other major appliances.

Chemical materials have also revolutionized food packaging. As one result, the lady who now says she has been "slaving over a hot stove all day" is somewhat suspect. With packaged foods, the housewife today can prepare all the meals for her family in a couple of hours. What's more, the seasons and the locality no longer restrict her menus.

Chemicals and Health

Equally impressive gains have been made by medicinal chemicals along the entire health frontier. Countless lives have been saved and many diseases conquered by products of chemical research. Our chances for recovery from pneumonia are 25-to-1 today, compared to 3-to-1 a generation ago.. In the last 20 years, the death rate from scarlet fever has declined 92%; from diphtheria and measles, 73%. Thanks to sulfa drugs and antibiotics, the common bacterial infections of the blood have lost their status as lethal public enemies. Yet, according to the American Medical Association, only 17 cents of the medical dollar was spent on drugs in 1950 compared to 21 cents in the period from 1935 to 1939.

Chemicals and Clothing

In the field of clothing, chemicals have made possible the production of more and better consumer products at lower costs. It is estimated, for example, that chemcial weedkillers are currently reducing cotton production costs by 10 cents per pound. Greater durability, flexibility or rigidity as well as resistance to staining and weathering can now be provided for wearing apparel and accessories and for such things as draperies, curtains, upholstering materials, mattresses and pillows. New, inexpensive, attractive and faster dyes have brought added color to our lives.

You are probably aware that man-made textile fibers have grown from nothing in 1914 to account for 20% of all fibers today. These chemical fibers give the consumer a much wider range of properties. Alone or blended with natural fibers, they are easy to care for and to clean. They hold their shape. They wear well.

And there are some broader economic advantages.

As you know, natural fiber

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Mr. & Mrs. Ralph Curlette, *Ludman Corp.*, North Miami, Fla.

Mr. & Mrs. Elmer G. Longwell, *Boettcher and Company*, Denver, Colo.

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Looking Ahead in the Chemical Industry

prices tend to fluctuate widely. Synthetics — independent of crop and livestock conditions — are more stable. It's a lot easier to control chemical materials in an air-conditioned factory than to feed the silk worm choice mulberry leaves, and even at oriental wages, silk comes high and has limited luxury uses. The sturdier rayons, acetates and nylons at a fraction of the price of silk have built a thriving industry. In her day, perhaps only Queen Elizabeth had a pair of silk stockings. Now it's as hard to find a pair of non-nylon clad legs as a blacksmith's leather apron.

Chemicals and Shelter

When you enter a modern home or building today you find that chemicals are in, have made possible, or had something to do with, almost everything you see. Passing a multitude of illustrations, possibly the most interesting and significant are the strides which synthetics are making in the area of structural materials — plastics, resins and plastomers to extend the uses of metal, wood, glass, ceramics and rubber. When one thinks of the infinite range of properties which can be built into such synthetic materials and the ease with which they can be fabricated, it is hard to set any limit to their future possibilities.

The only plastic around in 1914 was celluloid, very much the fashion in cuffs, and also a lively item in table-tennis. Today a billion dollar plastics industry with more than 4,000 plants and 60,000 workers turns out hundreds of items—molded, extruded, fabricated, laminated or reinforced, in the form of film and sheeting. Thirty-four chemical companies supply two billion pounds of raw materials a year. The end products may be shower curtains or squeeze bottles, or 90-foot pipe sections, so light that two men can carry them, or tiny self-lubricating gears that outwear the toughest metals.

Your new car embodies 256 different chemical products in addition to compounds that improve the gasoline, hydraulic brake fluids and anti-freeze. With the fuel available in 1914, Stearns Knights had to go up steep grades in reverse. Today chemical research makes it possible for two gallons to do the work of three—and at no increase in price.

Research

Birth control would fight a losing battle in the chemical industry, for when the industry conceives an improvement it seldom bears an only child. One desired product generally results in getting one or more by-products—and so the industry grows by geometrical progression. The chemical manufacturer in search of a new styrene resin for molding purposes may find himself also in the lacquer, or water-softening business. The sparkplug here and throughout industry has been increasing amounts spent for research. Last year, of the $2 billion spent by industry on research, chemical companies picked up the check for $300 million. The labors of some 35,000 research workers resulted in the commercial introduction of an average of one new product a day—perhaps just a new ingredient to improve hair dressing, but perhaps also a new pain-relieving compound, or some corrosion inhibitor that may in the next year or so save your business thousands of dollars annually. And each new product also carries with it the promise of new employment opportunities and new payrolls.

Looking Ahead

One hesitates to predict what the future growth of the chemical industry will be. It can certainly be stated, however, that the experience of the last 15 years far exceeded the most imaginative forecasts of an earlier day.

When World War II ended there were fears that the tremendous wartime increase in productive capacity would cause some distress. On the contrary, the market absorbed it all and clamored for more. Between 1946 and Korea the chemical industry invested between $4 and $5 billion in new plants and equipment. Since 1951, to assure adequate supplies for defense eventualities, NPA and DPA have certified a build-up of $6.5 billion more by 1955, representing an increase of 33⅓% in 1950 over-all capacity. In 50 or more basic chemicals these mobilization goals are being reached. Happily the world situation has not required these additional chemicals for military purposes—and the added capacity is going for constructive civilian uses.

In addition to serving basic human needs — food, clothing, shelter, health—the chemical industry, which according to the President's Materials Policy Commission, faces "no long term problems of supply," can likely fulfill in large measure another human requirement, and that is a sense of security—a confidence that basic human needs will be met in the long-term future. There is a great bounty locked in this good earth of ours, in its depths, in its seas, in its atmosphere. The key to this bounty is man's ingenuity, operating in chemical and other research laboratories, and operating also in a climate of freedom with reasonable incentives.

We have touched upon what the land might produce—given agricultural chemicals and livestock feed supplements. But consider the sea.

It is estimated that the oceans of the world contain about 50 million billion tons of dissolved materials. Although at least traces of every element are probably represented, 99% of the sea water salts is composed of such important chemicals elements as chlorine, bromine, sodium, calcium, potassium, magnesium, carbon and sulphur.

The chemical industry is finding ways to draw upon this practically inexhaustible storehouse. Today within the industry there are large commercial projects in North Carolina, Michigan and Texas for recovering elemental bromine and magnesium from sea water and brine, for such uses as photographic film coatings, gasoline anti-knock mixture, aircraft parts and pyrotechnics. A number of valuable chemicas, such as iodine and potash, are now being processed from seaweeds, and no

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Mr. & Mrs. Edward N. Bagley, *J. A. Hogle & Co.*, Salt Lake City, Utah

stretch of the imagination is required to predict that with the aid of further chemical research the vast resources of our oceans should contribute increasingly to the satisfaction of man's needs for food and materials.

Conservation of Resources

And while chemistry bends new resources to the service of men, it also conserves the old. First, each new chemical synethic saves scarce natural materials. By 1949 the **chemically** produced aluminum, magnesium and plastics had grown so rapidly that they took over many uses of scarcer materials, and plastics were being produced in greater volume than the total of all non-ferrous metals.

Second, products of chemical manufacture aid conservation by extending the useful life of natural materials, such as food crops, wood, leather, metal, cotton and wool. This is also accomplished by reducing waste of these products due to disease, erosion or insect attack. As a plain example, I leave you to estimate how many more yards of wool might be nere tomorrow if every clothes closet were sprayed today.

Third, the chemical industry develops hitherto unused natural resources. Titanium is an excellent illustration. In 1937, Funk & Wagnall's dictionary defined this element as follows:

"Titanium — a widely distributed, dark-grey metallic element found in small quantities in many minerals. It has **no** important uses."

The industry has spent more than $10 million annually since 1948 in research on this metal. In 1953 over 2,200 tons of it were produced with 1954 production expected to reach 5,000 tons. Just recently an important producer announced plans for additional annual production of 7,500 tons, raising the present actual and planned production to 22,500 tons, with more to come. Today this element—with "no important uses" in 1937 — is widely employed in aircraft structural parts and power plants, in marine equipment, in alloys and many other items.

And these are only representative examples—three out of thousands—of how the chemical industry aids conservation of natural resources. Through its extensive research program the industry is insuring that new resources will be forthcoming to meet the needs of our people and our economy for a long time to come.

Chemicals and Defense

But there is still another thing that human security demands. Without it—as we have learned in this generation — nothing else is secure at all.

In short, while we've moved out of caves, at least temporarily, we unfortunately still have the caveman's need for a big club to protect our possessions and our independence. Otherwise there may not even be a cave left to move back into.

Many people are aware of some of the more direct ways the chemical industry has contributed to national defense, such as the manufacture of explosives. Not so many know of the less direct but nonetheless essential contributions. Synthetic rubber, from an industry born almost overnight, carried us onto the beaches of Normandy and into Berlin. A synthetic detergent which rendered sea water usable in place of large quantities of fresh water formerly carried on our war vessels, not only increased the length of time they could remain on their missions, but also made available additional space for other necessary purposes. This greatly increased the effectiveness of our Navy in the Southwest Pacific. Rocket and other special fuels, now climbing toward a $100 million a year business, are putting the kick in our guided missiles and our airforce. Nylon, in addition to its well-known uses in parachutes and bullet-proof vests, finds employment in 200 Quartermaster Corps items. There's hardly an article necessary to modern warfare that isn't under constant examination to see whether it can't be chemically improved. And, if need be — practically overnight—the entire peace-time productive facilities of

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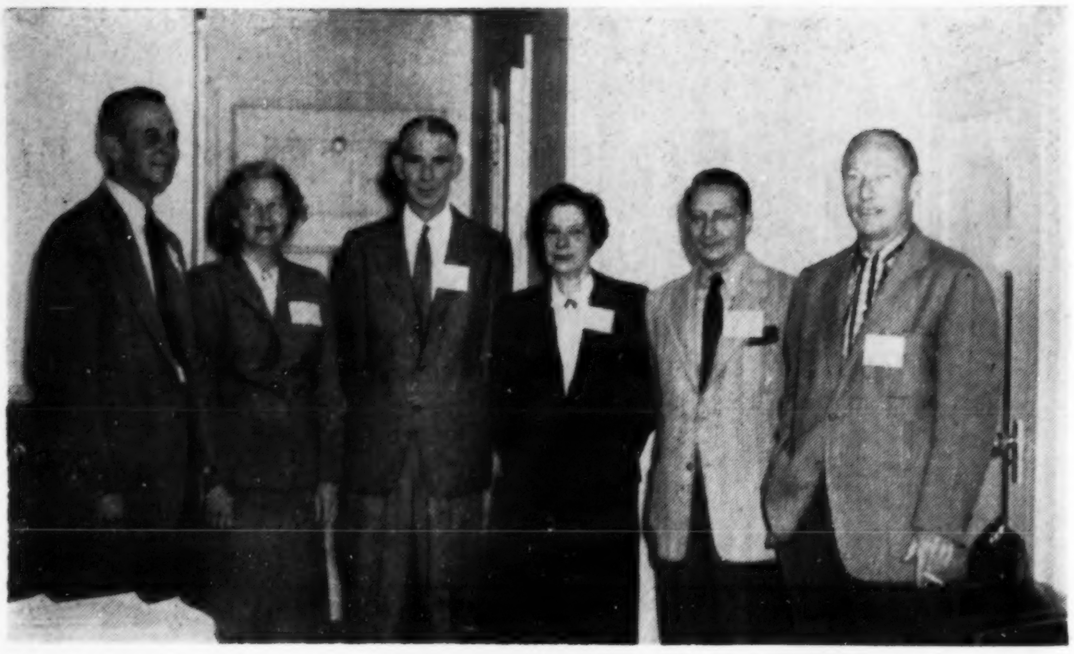

Mr. & Mrs. Edward H. Ladd, *First Boston Corporation*, New York; Mr. & Mrs. Harold C. Patterson, *Securities & Exchange Commission*, Washington, D. C.; Clifford K. Channell, *First Boston Corporation*, New York; Harold Scattergood, *Boenning & Co.*, Philadelphia

Turk Gardner, *Waddell & Reed, Inc.*, New York; Ken Stanford, *F. S. Smithers & Co.*, New York; John Graham, *G. H. Walker & Co.*, Hartford, Conn.; Corb Liston, *Prescott & Co.*, Cleveland; Ted Plumridge, *Eastern Securities, Inc.*, New York

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Looking Ahead in the Chemical Industry

the chemical industry can be converted to national defense.

Further Looking Ahead

Looking ahead a little further the research possibilities of the chemical industry could be said to be inexhaustible. The scientists tell us that the number of new chemicals which can be produced is almost infinite. It is estimated that the research laboratories develop about 10,000 every year. While many find no immediate commercial use, others open up new avenues of industry. There is **everywhere** a lot of unfinished business.

Petroleum, for example, is still largely an unexplored treasure chest of basic building blocks for chemical synthesis.

New techniques for processing coal are expected to yield further raw materials for chemical upgrading.

Corrosion, a still unsolved problem common to all industry, is estimated to cost us no less than $10 billion a year. Chemical research is steadily beating this down. New alloys, superior coatings and revolutionary ways of arresting oxidation are sure to appear.

It is also safe to say that in the future chemistry will continue to play an increasingly important role in jet propulsion. Take, for example, the simplest jet engine — the rocket — which carries its own oxidizer and does not take in air. The industry has already developed a number of energetic oxidizers, the two most widely used being oxygen and concentrated nitric acid. Rockets are now being developed to employ liquid fluorine, and some adventurous minds are thinking of liquid oxone. Our industry is working steadily alongside aircraft designers to bring to reality bold dreams in the realm of flight.

Coming back to earth—on the health front, there are still many diseases which may be chemically controlled. Past performance provides hope for future success. The magnitude of the attack on this front — against cancer, virus caused diseases, cardio-vascular conditions and other so-called degenerative complaints — is indicated by the fact that more than $60 million a year are currently being devoted to medicinal chemical research.

More and better man-made fibers are on the way; it has been estimated that within 20 years 40% of all textiles will be synthetically produced. By 1975, plastics are slated for tremendous increases—on the order of 800%.

In fact, a 400% over-all increase of chemical products by 1975 does not appear unreasonable. After careful study, the President's Materials Policy Commission came up with this estimate based on all the facts available and this does not include entirely new materials that may emerge from the screening programs currently carried on in dozens of laboratories.

You have already heard about the exicting developments in the electrical industry. Here, I might suggest that the chemical industry shares a common future and that these developments have a special significance for each of us.

Both industries have contributed importantly in the development of atomic energy for military purposes. Both are now greatly interested in the application of this phenomenal power to peacetime industrial uses.

In New York State, the thriving electrochemical industry on the Niagara Frontier bears witness to the close ties between the electrical and chemical industries. More and more, as we develop cheaper methods of obtaining power, our two industries will translate these gains into benefits that serve our industrial customers and ultimately the consumer. . . .

Now I am sure that no one in the chemical industry would want it to appear that all you have to do to enjoy a snug future is get into the chemical business. We've got a lot of problems, some all our own, some which we share with others. Many lie in the areas of communication, and in public or human relations. Our trade organization, the Manufacturing Chemists' Association, has been giving us valuable help in telling folks the truth about the chemical facts of life. It published a Chemical Industry Facts Book written so that you don't have to have a science degree to under-

Mr. & Mrs. Frank Waits, *Shearson, Hammill & Co.*, New York

Charles Kaiser, *Grady, Berwald & Co.*, N. Y.; Mr. & Mrs. Herbert Gesell, *Kugel, Stone & Co.*, N. Y.

stand it. And one week last spring in the biggest industry-wide public relations project to date, some 1,200 people from the chemical indutry got up on platforms in their plant communities and explained what benefits the public derives from our operations, what concern we take with air and water pollution abatement, how we are constantly improving our safety record, and what we are doing about a number of other common industry problems with which Associated Industries has been so helpful in New York State.

You will have noted that most of our industry's hope for the future is based upon chemical research. But to attain that hope it is essential that we counteract the increasing shortage of competent chemists and chemical engineers by encouraging more young men and women to pursue technical careers. And we must see to it that more and better teachers, teaching aids and facilities are available for their training. In this the help of all industry is greatly needed.

Also, the chemical industry like other industries has the ever-present problem of guarding against unwise governmental action that would lessen the incentive of economic reward and discourage investment in future research.

We have recently found ourselves faced with restrictive legislation threatening the use of new chemicals to improve the production and processing of food. And all because some perhaps well-intentioned people do not understand that reasonable tolerances can provide complete protection of human health and that "absolute safety" under each and every condition is as unnecessary as it is incompatible with life and its betterment.

Unless we have the encouragement of knowing that products and processes of our research will not be prevented from finding markets by unreasonable decision or lack of decision by government agents, initiative will be killed, we will not be able to justify the required investment, and the public will lose—all unnecessarily — the contributions to better living our industry could make.

We know that the chemical industry, like Associated Industries, of which my company is proud to have been a long time member, does not subscribe to the mature economy—"plow under the little pigs" philosophy—that was promulgated a few years ago. And we do not agree with the prediction that by 1984 we will be living on starvation rations physically and spiritually. The tremendous progress we have made in 40 years leads us to believe that we can effectively and efficiently use intelligent men in research and management, together with money to produce increasingly better living for a rapidly growing population. But we have to have friendly understanding in order to make the greatest progress.

We have to have a political and economic environment where the prospect of reasonable gain makes readily available on attractive terms the fresh financing required to meet the chemical industry's needs for high capital investment per worker.

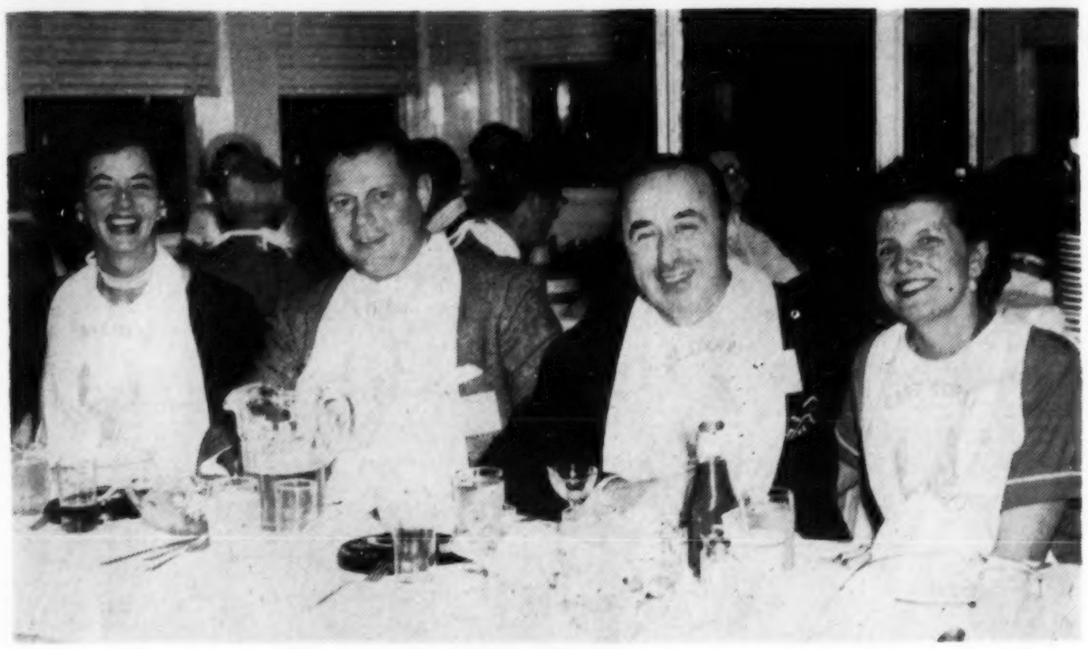
To have these conditions, we know that as an industry, we must continue not only to produce products which will contribute to your welfare and protect our American way of life, but also to so conduct ourselves in all our business activities as to merit public respect and approval.

With such conditions, the history of chemical development has convincingly shown that "black magic" — performed on a micro scale at the laboratory workbench at sometimes fantastic expense—does not take long to become a necessary and commonplace item for 162 million American customers.

Should our scientists be right in believing that solar energy will be harnessed by the end of the century, a new age is in store for us. Chemistry will be part and parcel of that age, helping man to utilize directly the tremendous power of sunlight which now comes to us only indirectly and slowly, through such agents as plant life.

In whatever direction progress moves, there are going to be new developments coming from the nation's chemical industry of direct interest to the many industries represented here today.

We believe we have reason to say confidently that, for chemistry and the industries which chemistry serves, life begins at 40.



Mr. & Mrs. W. L. Filkins, *Troster, Singer & Co.*, New York; Mr. & Mrs. Ernest Lienhard, *Troster, Singer & Co.*, New York

Mr. & Mrs. Bob McCook, *Hecker & Co.*, Philadelphia; Mr. & Mrs. Irving LeBeau, *May & Gannon, Inc.*, Boston; Joseph Kelly, *Starkweather & Co.*, New York

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Universal Convertibility—Not Now, But Some Day

by this sort of policies have every reason to fear the opening up of international competition, the threat of cheap American goods, thanks to mass production, and of cheap Japanese goods due to low wages.

Universal Convertibility Must Come

Yet, in the long run, universal convertibility will have to be restored. No country that wants to live by international trade can afford to have its monetary system permanently bound hand and foot. No country that must live by exports can afford to buy constantly at the most expensive market and to keep its costs artificially high. Step by step, and not even by short ones, the leading European currencies are approaching some degree of convertibility. Exceptions are the countries with acute dollar headaches, like Norway and Turkey. But even Denmark, with its monetary reserves nearing zero, is trying to restore trade by liberalizing to some extent.

Short of an international upheaval of the most serious kind, convertibility — the international gold standard—will have to be restored in the not too remote future, perhaps in a matter of two or three years. A significant element in this observer's opinion, is the fact that the opponents of convertibility are becoming increasingly silent; especially, there is no more talk in any responsible quarters about a gold shortage as an obstacle in the way of global currency redeemability. Only two years ago, that was the chief reason or excuse alleged for the necessity of a huge American credit to support Europe's resumption of dollar payments. If the "gold shortage" is dead now, it is partly because of the great gains in gold (and dollars) which have accrued to central bank reserves outside this country in the last two years, without appreciably depleting our own gold reserves. In fact, global restoration of the gold standard even on a bullion base may bring several billion dollars worth of gold out of private hoards. In addition, gold production has started to rise again. What is more, it is a virtual certainty that, thanks to the discovery of the new extraordinarily rich, low-cost gold fields in the far west Rand of South Africa and of the Orange Free State, the annual output of the yellow metal may increase perhaps by as much as a quarter billion dollars, or by one-third — without raising the dollar price of gold.

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A Reappraisal of the Stock Market Outlook

in the past, when they reached the top trend lines calculated on the basis of the pre-World War II record.

(3) Certain long-term yield studies indicate that the general run of equities can be considered as being near the lower limits of their ever recurring popularity and unpopularity cycles when yields on the Dow-Jones type of stocks are averaging well over 5% at the highs for any year. Conversely, the overpopularity phase has been **approached** in the past when the investing public was willing to "reach" for stocks on an **average** yield basis of 3.0%-3.5%. (Allowance must be made for a gradual uptrend in the yield figures which is undoubtedly due in large measure to the higher level of taxes.) On the basis of this approach, stocks were in a buying range in 1921, 1933, 1942, and 1949; and in a selling zone in 1928-1929, 1936-1937, 1939-1940, and in 1946. Assuming that dividends will hold, on the average, at around current levels, it would appear that the underlying or cyclical trend of stock prices could be upward until sometime after the Dow-Jones Industrials reach a level of about 460.

(4) From the standpoint of relative public participation in the stock market, as judged by statistics on both the volume of trading and the comparative action of the better-grade and lower-priced issues, we can also conclude that the line of least resistance in the stock market is more likely than not to be upward for at least another six to 12 months. This conclusion is based on the past record of the increase in the volume

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Boat ride

of trading on a 12 months' moving average basis, as compared with levels touched in the previous three or four years; and the relative action of an index of low-priced stocks as compared with the blue chips, following any period when there was a pronounced divergence between these two classes of equities, as was true in 1927, 1934-1935, 1948-1949, and in 1953. In each of the previous instances of prolonged divergencies when the blue chips were rising, the low-priced stocks more than caught up with the blue chips before an important cyclical peak was reached.

(5) There has always been a pronounced lag between reversals of Federal monetary policies and cyclical turning points in the stock market. For example, the bull market which ended in 1929 did not run its course until more than a year after the Federal Reserve Board had taken very definite steps to tighten credit. The 1937 bull market high was not recorded until almost a year after reserve requirements were increased sharply. In the 1945-1946 period, the trend of the stock market was upward for about 10 months after the Federal Reserve Board's credit tightening policies had reached a point where margin requirements were increased to 75%. To the extent that the time lags of the past can be considered as guides to the future, the probabilities are very strong that the trend of stock prices will be upward, on balance, **at least** through the first seven or eight months of 1955, and possibly throughout all of next year.

(6) We are seeing a repetition of the growth in demand for equities which developed in the late 20's following the publication of Edgar Lawrence Smith's book on "Common Stocks as Long-Term Investments." During the late 20's, many fire insurance companies became interested in common stocks for the first time, and investment trusts were being formed right and left to capitalize on the increased interest in equities. During the past two years, the New York savings banks, the large and growing pension funds, as well as life insurance companies, have been added to the list of stock buyers. These groups may well bring about another period of scarcity of stocks similar to that which developed between 1926 and 1929, although presumably without the excesses which were witnessed in that period, when stocks were being traded on margins ranging as low as 10% to 20%.

* * *

As might well be gathered from the foregoing, I believe that the case for a continuation of the bull market is much stronger than that being made by those who have been very bearish during the past 12 months, or who are looking for a major turning point in the market cycle at this time. I have a strong suspicion that most of those who believe that stocks are too high have not given sufficient weight to the changed value of the dollar, and to the effect that this will have, sooner or later, on stock prices. If we accept the premise that wages, and therefore basic costs, are likely to hold at or near current levels from now on, it is impossible to escape the conclusion that the general price level will hold at close to about double the prewar levels. There are, of course, some offsetting considerations in the case of the eventual relationship between commodity prices and stock quotations. These include the need for additional financing, on an over-all basis, in order to obtain sufficient funds to handle the larger dollar volume of sales, as well as certain international pressures which tend to limit profit margins. However, allowing for these factors as best we can, and taking into account the growth in population, it would still seem that a potential level of around 425-475 for the Dow-Jones Industrials would not necessarily be as high as a level of say 250-300 in terms of prewar dollars.

Before bringing this review to a close, I believe it is important to note that every bull market in the past has been subject to at least two or three reactions or counter-movements, ranging from roughly 10% to 20%. In the 1942-1946 rise, for example, there was a reaction of 11% in the last half of 1943, and another decline of 11% in February, 1946, before the bull market ran its course. In the rise from June, 1949 to January, 1953, there were a number of technical corrections ranging upwards of 8%, with the maximum decline amounting to 14%. We have now had a fairly continuous rise of approximately 110 points in the Dow-Jones Industrial Average with no reaction of as much as 5%.

For a number of technical reasons, the danger of an intermediate shakeout has been increasing rather than diminishing since the Dow-Jones Industrials advanced to around the 335 level in July of this year. The ever changing short-term technical position of the market is not a subject which can be properly covered in any appraisal of the market which cannot be brought up to date at short intervals. It might be noted,

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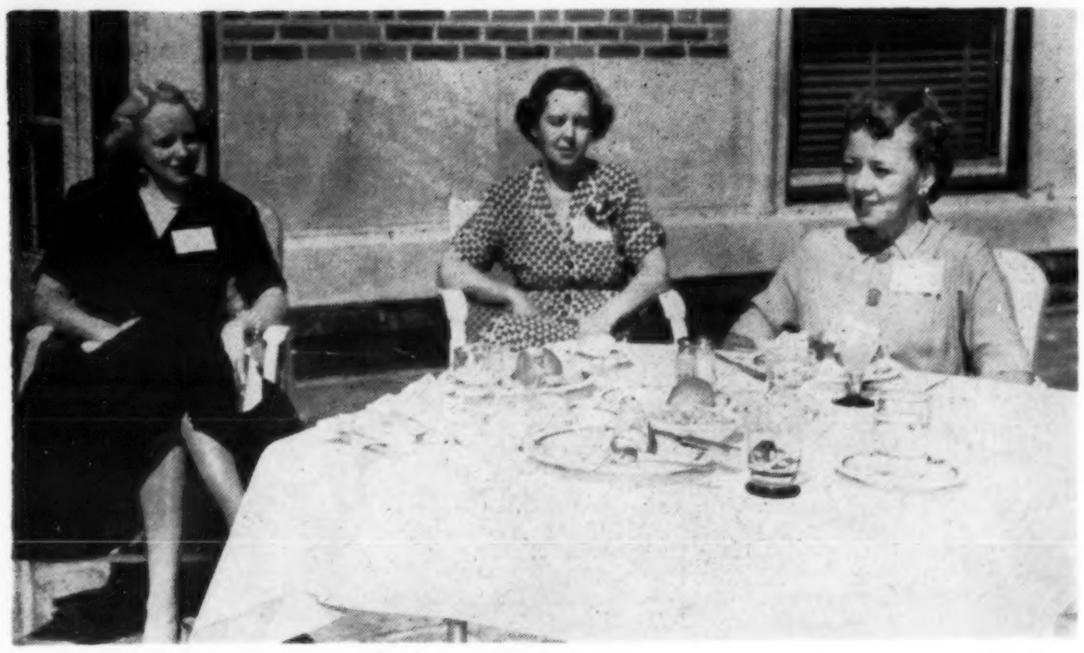

Mrs. Donald Regan, New York; Mrs. John Hudson, Philadelphia; Mrs. Frank Ronan, New York

Mrs. George Muller, Philadelphia; Mrs. Fred Shorsher, Cleveland; Mrs. Marshall Johnson, Greensboro, N. C.

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Reappraisal of the Stock Market Outlook

however, that the maximum advance from one year's low to the following year's high, without an intervening reaction of 10% or more, has rarely exceeded 45%. The September, 1954 high of 366 in the Dow - Jones Industrial Averages was 43% above the previous year's low. It might be noted that the fact that the demand for equities has been sufficiently great to permit a continuous advance of more than 40%, in what appears to be the first "leg" of a new bull market, would alone seem to warrant raising our sights as to price levels which might be expected before the entire bull market runs its course. We should not ignore the fact that during the past 12 months, we have witnessed the type of market action which helps to bring in the public, as one of the most potent (even if basically unsound) sales arguments of security dealers is the amount of profits which would have been realized if certain stocks had been purchased a year earler.

In concluding this apppraisal of the market outlook, the prospects, as I see them, might be summarized as follows:

(1) As this is being written (Oct. 4, 1954) we may be seeing the completion of the initial or first "leg" of the bull market that got under way from the 254-256 level in the Dow-Jones Industrial Average, which marked the lows in late 1951; in June, 1952; and in September, 1953. (This base had a great deal in common with that established in the 160-163 range in October, 1946; May, 1947; and June, 1949: and which was followed by an advance of more than 70% within the next 28 months.)

(2) Subject to at least two technical readjustments, such as were witnessed in June-July, 1950, and in May-June, 1951: the current bull market probably will not run its course before the Summer of 1955 at the earliest, and possibly not until the first quarter of 1956.

(3) Assuming that we will continue to witness a gradual return of confidence in the future of the American economy, there is an excellent chance that stocks will not prove to be seriously overvalued from a cyclical standpoint until sometime **after** the type of issues which make up the Dow-Jones Industrial Average sell at the equivalent of at least 17 times earnings, and on a yield basis of somewhere between 3.6% and 4.0%.

(4) The probabilities are that a major peak in the stock market will not be seen until after the volume of trading averages well above three million shares a day for a number of months, and general confidence reaches the levels of 1928 and early 1929 (or late 1936-early 1937). At that point we will probably again witness a renewed conviction that we have solved the problem of the business cycle, which in turn will help bring about an increased interest in the secondary and low-priced stocks.

(5) The outcome of the November elections is not likely to have an important impact on the cyclical trend of stock prices, partly because the Democrats are no longer following a business-baiting line, and also since they are advocating more direct inflationary policies than are the Republicans.

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Corporate Bonds and Arbitrage

been based largely upon dividend yields going down, rather than anything of import occurring to the per share earnings.

The absence of probable arbitrage pressue also has its effect on a stock. Late last month, the American Telephone Company announced a $250 million nonconvertible issue. This occurrence put the stock up three or four points because it meant that at least for the time being there would not be additional convertible bonds depressing the market.

Arbitrage and Reorganization Bonds

The second category of bonds subject to arbitrage transactions are those affected by reorganization proceedings. A specific example is the Missouri Pacific Railroad which has been in bankruptcy since 1930. There was a plan presented and approved by the Interstate Commerce Commission in 1940. Markets were established for the new "when issued" securities and substantial arbitraging took place. Eventually the plan was abandoned and "when issued" contracts were cancelled. The arbitrageur found himself long the old bonds as he had an open position, and had to dispose of his bonds in the open market or to retain them pending the presentation of a new plan. This happened again in 1949. That plan was also remanded back to the I.C.C. We now have another plan in 1954. "When issued" trading has just started in the new securities and as legal processes bring this plan along the road to consummation, there will be more and more interest in the over-the-counter market in the "when issued" securities. As this happens, the bonds will follow the price of the new securities.

The third category of arbitrage is hedging and switching. An example of the hedging operation might be called a partial arbitrage. It is a unique way to establish what may turn out to be a position with real profit possibilities and limited loss. Assume that I buy a convertible bond selling at a two or three point premium over conversion value. I sell only half the stock that I am entitled to under the conversion privilege. In this way, if the market price of the stock rises, I will benefit having an unsold position to the extent of 50%. At some point when I think a sale propitious, I dispose of the remainder of the stock obtained by converting the bond and realize a profit.

What happens if the market goes down. Here I am only 50% sold. Assume that the market breaks badly enough. The bonds should stabilize around its investment value giving no consideration to the conversion privilege. The profit resulting from being able to cover the stock sale at less than the equivalent of the investment value of the bond offsets the loss on the long side.

Switching Operations

Switching operations take place under various circumstances. If there is pending large scale new financing, investors might well sell bonds held in their portfolios in the expectation of replacing such sale with a new issue at a better comparable yield.

A specific example of switching took place some time ago, when the American & Foreign Power Co. announced a plan of recapitalization for its preferred and common stocks. The company had a 5% bond outstanding that did not participate in the plan. However, the old senior preferreds that had large dividend arrearages were offered new 4.80% subordinated debentures and common stock for their claim. Arbitraging took place, namely, the purchase of preferred stock and the "when issued" sales of the new 4.80% debentures and the common. The pressure on the 4.80s caused the price to decline substantially. When the 4.80s reached a price level that the holders of the 5s thought attractive, switching operations took place, namely, the sale of the 5% bonds and the purchase of the 4.80s. So you can see that even though the 5s were not affected directly by the plan of recapitalization, switches were made out of that issue into the 4.80s.

There are many other operations in the arbitrage field, but I do not think them too important when you folks are trying to get a broad understanding of the field.

In conclusion, I might say that arbitrage in the convertible corporate bond market only has an effect when common stocks are high. In a "bull" market, corporations that do not want a straight long-term issue, will resort to convertible bonds in the hope that they will eventually be converted into common stock and improve the debt structure. It is at such times, you have most of your convertible bonds issued.

On the other hand, we have corporations today who are thinking of refunding their convertible bonds because interest rates have gone so low and the price of the stock is beginning to approach the conversion feature of the bond. Now under a new set of circumstances such corporations may want to avoid dilution and have a certain amount of flexibility by having convertible bonds outstanding, which they do not have with a straight bond issue.

Although convertible bonds have many attractive features, because of this very fact, the conversion privilege is prone to be over-valued and caution should be used at the present time. Possible redemption of high coupon convertibles detract from the long-term profit aspects. The opportunity of gain is often not enough to justify the premium paid.

As far as reorganiaztion plans are concerned, when we look at the bond market in the newspapers, there are a number of bonds subject to stock price fluctuations rather than bond market considerations. These bonds usually fluctuate widely and it is the progress of the reorganization plans and the market movements of the "when issued" securities that determine the price of the bond.

When we come to switching and hedging transactions, they are of a somewhat continuous nature depending upon day to day occurrences in the over-all bond market.

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